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REGIONAL AFFAIRS

SURVEY OF ARAB PETROLEUM PIPELINE NETWORKS

Kuwait AL-NAFT WA AL-TA'AWUN AL-'ARABI in Arabic Vol 12 No 1, 1986 pp 94-111

[Paper presented by 'Abd-al-Ilah al-Tikriti, petroleum project management specialist, at the 16-17 February 1986 technical working meeting of pipeline experts at OPEC General Secretariat headquarters in Kuwait: "The Importance of Pipeline Networks in the Arab Oil Industry"]

[Text] Petroleum pipeline networks are considered one of the principal and important sectors in the chain of oil operations that begins with exploration, drilling, production, transport, and refining, and ends with consumption.

In order to study the future and importance of pipelines and ways of implementing projects for them and of operating and maintaining them, OPEC has invited pipeline experts in member countries to a technical meeting for an exchange of ideas and opinions about the future of this vital sector of the oil industry and to arrive at conclusions that will enable the creation of a suitable formula for cooperation between member states in order to benefit from available Arab experience, encourage Arab engineering firms to take charge of planning, implementation, and operating activities at the member state level, and to strengthen local companies, so that by acquiring modern technology in this field they will be enabled to compete with foreign companies.

Introduction

Since the discovery of crude oil in the Arab countries, pipelines have acquired great importance in transporting it to export depots on the Arab Gulf or the Mediterranean. Since the thirties, pipelines have been constructed crossing several Arab states; for example, the crude oil pipeline from Kirkuk to Haifa, from Kirkuk to Tripoli, and then from Kirkuk to Baniyas. A number of years later, the TAPline pipeline was constructed from al-Qatif in Saudi Arabia to Sidon on the Mediterranean. It was opened in 1950.

Pipeline construction activity did not stop. Discoveries in Algeria and Libya were an incentive to the establishment of long pipelines across the Sahara to loading terminals on the Mediterranean. In the mid-seventies, Iraq built the Kirkuk-Dortyol pipeline across Turkey and the Strategic Line to link the Kirkuk fields with the Arab Gulf. In Saudi Arabia, PETROMIN constructed the 1,200 km Buqayq-Yanbu' line (Petroline) to carry crude oil to the Red Sea. Recently,

construction has been finished on the Iraqi oil line from al-Rumaylah to Pumping Station 3, to carry Iraqi crude oil through the Saudi pipeline to the port of Yanbu' for export via the Red Sea. Before that, the SUMED pipeline was constructed from Suez on the Red Sea to Alexandria on the Mediterranean.

At the present time, there are a number of projects for constructing new pipelines; for example, a project for a new pipeline from Kirkuk to Dortyol in Turkey, and one for an oil line from Kuwait to Saudi Arabia and the United Arab Emirates in order to export the oil of these countries from the port of al-Fujayrah on the Gulf of Oman or from the shores of the Arab Gulf in the Sultanate of Oman, avoiding passage through the Strait of Hormuz. Iraq is determined to complete the pipeline passing through Saudi Arabia to the port of Yanbu' in order to become independent of the Petrolina (east-west) line. This indicates that the movement for building principal pipelines in the Arab states will continue, especially if projects for exporting gas to Europe from the Middle East (Qatar-Europe) become reality, or the scheme, as yet under study, to transport Algerian gas across the Mediterranean to Spain, in the way that Algerian gas is exported to Europe via Tunisia, the Mediterranean, and then Italy.

In addition to networks of lines for the export of oil and gas, there are many projects for constructing domestic pipelines to carry crude oil to ports and refineries, as well as to transport and distribute petroleum products and gas within the Arab countries and between their refineries and their various regions and cities.

Thus, the Arab states will continue to construct local and external pipelines, because pipelines, given their ease of operation and superior safety and efficiency characteristics, are the preferred means for transporting hydrocarbons.

1. Arab pipeline networks

Arab pipeline networks measure about 45,000 km, most of them for the transport and export of crude oil and natural gas. Recently, in some of the Arab states, projects for pipelines to carry natural gas between the Arab states and for more extensive construction of local networks to distribute petroleum products by pipeline have begun to be studied.

Local Arab organizations specializing in transportation by pipeline have acquired extensive experience in all pipeline-related matters, beginning with planning and construction and ending with operation and maintenance.

However, there are many problems that this industrial sector and its future projects will face. We believe that an exchange of experience and information between the agencies involved will lead to greater knowledge and to cooperation in solving these problems and overcoming difficulties and in the transfer and even development of technology suitable to Arab conditions.

If we examine the pipeline networks existing in the Arab states, we find three principal kinds: 1) principal transport lines and networks, whether for exporting oil or gas or for transporting hydrocarbons to various regions

within the country; 2) low-pressure gas distribution networks designed to transport and distribute natural gas for residential and commercial consumption within cities; and 3) special service pipeline networks.

1. The principal pipeline networks

Oil- and gas-exporting member countries have invested heavily in the construction of principal crude oil export pipelines and in setting up combined enterprises to process and liquefy gas so that it can be exported in the form of natural gas or liquefied gas. The construction of these combined enterprises was accompanied by the construction of networks to collect gas and separate fluids from it, in addition to lines to transport natural gas.

In this quick description of the most important networks in some of the Arab countries, natural gas lines and lines for liquid gas and condensates will be treated as principal lines.

1.1 Algeria

The SONATRACH organization was founded in 1963 to transport and market crude oil. Its activities were expanded in 1966 to include the production, refining, and export of all hydrocarbons.

The following are the most important principal oil lines in Algeria:

- 1) The first of the lines established was the oil export pipeline from Haoud El Hamra to the port of Bejaia, completed in November 1959. It is 660 km long and has a diameter of 24 inches. Its initial capacity of 14 million tons per year was gradually increased to 17.5 million tons per year.
- 2) In 1960, the line from Ain Oum El Nas to the Tunisian port of Sekhira was completed. It is 775 km long, has a diameter of 24 inches, and has a capacity of 13.5 million tons per year.
- 3) The line from Haoud El Hamra to the port of Arzew, with a length of 800 km, a diameter of 28 inches, and a capacity of 22 million tons per year, was completed in 1965.
- 4) In 1972, a branch line from Beni Mansour to Algiers was constructed, with a length of 130 km and a diameter of 16 inches, to feed the El Harrach refinery. Its capacity is 2.9 million tons per year. This line branches off from the Haoud El Hamra--Bejaia line.
- 5) The line from Haoud El Hamra (Mesdar) to Skikda, with a diameter of 34 inches and a length of 742 km. Its initial capacity of 12 million tons per year has gradually been increased to 24 million tons per year to support the Skikda refinery and for export.

The principal gas lines are:

- 1) Hassi R'Mel--Arzew, diameter 20/24 inches, capacity 3.7 million cubic meters per year.
- 2) Hassi R'Mel--Skikda GK1, diameter 40 inches, capacity 13.5 billion cubic meters per year.
- 3) Hassi R'Mel--Arzew GZ1, diameter 40 inches, capacity 13.5 billion cubic meters per year.
- 4) Hassi R'Mel--Arzew to transport condensates, diameter 28 inches, capacity 20 million tons per year.
- 5) Hassi R'Mel--Arzew GZ2, diameter 40 inches, capacity 14 billion cubic meters per year.
- 6) Haoud El Hamra--Arzew, diameter 12/16 inches, for condensates and liquid gas, length 801 km, capacity 3.8 million tons of liquid gas per year.
- 7) Hassi R'Mel--Oued El Safsaf (for export), diameter 48 inches, capacity 8.8 billion cubic meters per year. This line is for the export of gas to Italy via Tunisia. It began operation in August 1983 and will supply Tunisia with about 656.25 million cubic meters of gas per year for local distribution purposes.
- 8) Hassi R'Mel--Algiers (central gas line) for local gas consumption purposes, diameter 42 inches.

There are many pipelines under construction or near completion, such as the gas line from Hassi R'Mel to Arzew GZ3, with a diameter of 42 inches and a capacity of 14 billion cubic meters per year. Tables 1 and 2 show a summary of the most important principal oil and gas pipelines.

Table 1. The Most Important Crude Oil Pipelines in Algeria

<u>Line</u>	<u>Length (km)</u>	<u>Diameter (inches)</u>
Haoud El Hamra--Bejaia	660	24
Ain Oum El Nas--Sekhira	775	24
Beni Mansour--refinery	130	16
Haoud El Hamra--Arzew	800	28
Haoud El Hamra--Skikda	742	34
Ain Oum El Nas--Haoud El Hamra	630	30
Ohanet--Haoud El Hamra	518	30

Table 2. Algerian Pipelines for Gas and Condensates

<u>Line</u>	<u>Length (km)</u>	<u>Diameter (inches)</u>	
Haoud El Hamra--Arzew	801	12/16	liquid gas, condensates
Hassi R'Mel--Arzew	510	28	condensates
Hassi R'Mel--Arzew	510	24	liquid gas
Hassi R'Mel--Arzew	510	20/24	
Hassi R'Mel--Arzew GZ1	510	40	
Hassi R'Mel--Arzew GZ2	510	40	
Hassi R'Mel--Arzew GZ3	510	42	
Hassi R'Mel--Skikda GK1	575	40	
Hassi R'Mel--Oued Isser GGI	420	42	
Hassi R'Mel--Oued El Safsaf	560	48	total length 1,065 km
Hassi Messaoud--Hassi R'Mel	300	48	
Alrar--Hassi Messaoud	580	42/48	

1.2 Saudi Arabia

Until 1980, Saudi Arabia's crude oil production was exported from the ports on the Gulf, such as Ras Tannurah, al-Ju'aymah, Mina' Sa'ud, and al-Khafji. The most important principal pipelines are:

1) The TAPline pipeline, built by Trans-Arabian Pipeline Co. (TAPline), a subsidiary of ARAMCO, in 1950. The total length from al-Qaysumah to al-Zahrani in Lebanon is 1,213 km, with a diameter of 30 inches, to which one should add the length of the 500 km line from Abqayq to al-Qaysumah. The pipeline has a capacity of 500,000 barrels per day, i.e., 25 million tons per year. However, the pipeline is currently used only to supply the al-Zarqa' refinery in Jordan, at the rate of about 60,000 barrels per day since March 1983. Export from the pipeline has stopped since 1975 for economic reasons.

2) The Petroline pipeline (east-west): In 1977, the PETROMIN organization (the General Organization for Petroleum and Minerals) authorized Mobil Corporation to design a 1,270 km pipeline to link the Abqayq fields with the port of Yanbu' on the Red Sea. The diameter of this pipeline measures 48 inches. It was built at a cost of \$1.6 billion and was completed on 1 July 1981. Its planned capacity is approximately 1.85 million barrels per day. The project currently includes 11 pumping stations, 3 of them used as maintenance centers. Each station contains 3 turbine pumps, each with a capacity of 27,500 horsepower; 2 of them are in use, while the third is a reserve.

3) The Abqayq-Yanbu' liquid natural gas pipeline. A 1,170 km NGL pipeline with a varying diameter of 26, 28, or 30 inches accompanies the crude oil pipeline and transports gaseous fluids from the plant at Shadqam in the Eastern Province to the separation and fractionation plants in Yanbu', where it is used to feed the industrial complex. This liquid gas is used to operate the 11 pumping stations located along the crude oil pipeline.

1.3 Iraq

Iraq depends upon northern and southern pipeline systems to bring its oil to the export terminals. The two pipelines are connected by means of the Strategic Line between al-Rumaylah and Hadithah. The following are the most important principal lines:

- 1) The Kirkuk-Baniyas (Syria) and Kirkuk-Tripoli (Lebanon) pipeline systems to the Mediterranean. The line between Kirkuk and Baniyas is 893 km in length and 32 inches in diameter. The line between Kirkuk and Tripoli is 854 km in length. The crude oil of the 'Ayn Zalah fields is also exported from the port of Tripoli by means of a 12-inch diameter pipeline whose length, from 'Ayn Zalah via Station K2 to Tripoli, is 961 km.
- 2) The Kirkuk-Dortyol pipeline, with a total length of 1,005 km and a diameter of 40 inches. The portion on Iraqi soil is 345 km in length. It was completed in 1978.
- 3) The northern Strategic Line from Hadithah to al-Rumaylah, with a length of 680 km and a diameter of 42 inches. It can pump oil in two directions. Completed in 1976, it is accompanied by an 18-inch diameter gas line.
- 4) The southern pipeline system between the al-Rumaylah fields and al-Zubayr, al-Faw, Khawr al-'Amayah, and Mina' al-Bakr. This system is composed of several land pipelines between al-Rumaylah and al-Faw, and two marine pipelines between al-Faw, Khawr al-'Amayah, and Mina' al-Bakr. The total length of these lines is about 600 km, and they are of diameters ranging from 12 to 48 inches.
- 5) The petroleum products pipeline between the al-Dawrah refinery in Baghdad and the al-Basrah refinery. It has a length of 545 km, a diameter of 10 inches, and a capacity of 1.5 million tons per year of petroleum products, such as gasoline, kerosene, gas oil, and naphtha. It operates in two directions and was completed in 1976. There is a branch extending between the al-Nasiriyah storage depot and al-Kut. New lines were recently completed to carry petroleum products between the Salah-al-Din refinery and al-Mawsil, Kirkuk, and Baghdad.
- 6) The Kirkuk-Bayji-Baghdad gas pipeline, diameter 16 inches, length approximately 290 km, accompanied by an 8-inch diameter line to carry liquid natural gas to Baghdad.
- 7) Recently completed is a principal line for liquid gas from Kirkuk to al-Taji and Khawr al-Zubayr, with a length of approximately 950 km and a diameter of 14 inches.

Table 3 shows a summary of the most important principal pipelines in Iraq.

Table 3. The Most Important Iraqi Pipelines

<u>[Line]</u>	<u>Length</u> (km)	<u>Diameter</u> (inches)	
Export lines			
Northern system			
Kirkuk--K2--Baniyas (Syria)	893	30/32	
Kirkuk--K2--Tripoli (Lebanon)	854	32	
'Ayn Zalah--K2--Tripoli (Lebanon)	960	12	
Kirkuk--Hadithah (K3)	242	12	
Kirkuk--Hadithah (K3)	242	16	
Kirkuk--T3	674	16	gas
Kirkuk--K2--Dortyol (Turkey)	1,005	40	
Southern system			
al-Rumaylah--al-Zubayr--al-Faw	105	24	
al-Rumaylah--al-Zubayr--al-Faw	105	30/32	
al-Rumaylah North--al-Faw	130	18	
al-Rumaylah North--al-Faw	130	48	
al-Faw--Khawr al-'Amayah	45	32	2 marine lines
al-Faw--Mina' al-Bakr	80	32	2 marine lines
Bazarkan--Abu Ghurab--al-Faw	300	--	
Strategic Line			
Hadithah (K3)--al-Rumaylah North	680	42	bidirectional
Hadithah (K3)--al-Rumaylah North	680	18	gas
Domestic system			
Crude oil lines			
Kirkuk--K2--al-Dawrah Refinery	317	12	
K2--al-Dawrah Refinery	212	12	2 lines
Naft Khanah--al-Wand--al-Durah Refinery	130	12	
Kirkuk--Salah-al-Din Refinery	83	26	
Gas lines			
Kirkuk--al-Taji--al-Zubayr	950	14	liquid gas
Kirkuk--K2--al-Taji	292	16	gas
Kirkuk--K2--al-Taji	292	8	liquid gas
Ghaz Misan	--	--	
al-Rumaylah--Abu-al-Fulus--al-Harithah	90	18/14/10	
Petroleum product distribution lines			
al-Durah Refinery--al-Basrah Refinery	545	10	
al-Nasiriyah Storage Depot--al-Kut	175	8	
Salah-al-Din Refinery--al-Mawsil	166	16	
Salah-al-Din Refinery--Kirkuk	87	12	
Salah-al-Din Refinery--Baghdad	168	22	

1.4 The other Arab countries

Table 4 shows a summary of the most important principal pipelines in the other Arab countries.

Table 4. Principal Pipelines in Some of the Other Arab Countries

<u>Line</u>	<u>Length (km)</u>	<u>Diameter (inches)</u>	<u>Service</u>
Libya			
Nasr--al-Burayqah	170	36	
Sarir--Tubruq (al-Hariqah)	510	34	
Wahah--al-Sidr	430	24	
Intisar--al-Zuwaytinah	210	40	
Amal--Ras Lanuf	274	30/36	
Masla--Ras Lanuf	480	36/42	
Hammadah--al-Zawiyah	380	18	
Nasr--al-Burayqah	170	30/36	gas
al-Zawiyah Refinery--al-Fatih	55	10	products
al-Zawiyah Refinery--Zanzur	32	8	products
Kuwait			
al-Rawdatayn--al-Ahmadi	90	30	2 crude oil lines
Burqan--al-Ahmadi	8	20/30/36	5 lines
al-Wafrah--Mina' 'Abdallah	56	10/12/24	
Umm Judayr--al-Shu'aybah	42	14/18	
al-Rawdatayn--al-Ahmadi	90	30	gas
al-Maqwa'--al-Ahmadi	16	20/40	
Umm Judayr--al-Shu'aybah	64	10/12	
Burqan--al-Ahmadi	20	32/40	
al-Shu'aybah--Sabhan	2x50	8 and 10	products
Qatar			
Halul Island--Umm Sa'id	96	12	
Dukhan--Umm Sa'id	128	20	
Dukhan--Umm Sa'id	128	12	
Halul Island--Umm Sa'id	96	12	gas
Dukhan--Umm Sa'id	128	30	gas
Dukhan--Ras Abu Fintas	112	24	gas
Dukhan--Doha	112	10	gas
United Arab Emirates			
Murban--Jabal Zannah	2x114	24/30	
Lower Zakum--Das Island	90	30	
Upper Zakum--Zirku Island	64	42	
Umm al-Nar Refinery--al-'Ayn	166	12	oil products
'Asab--Bab	88	20	gas
Bu Hasa--Bab	45	20	

[continued]

[Table 4 continued]

<u>Line</u>	<u>Length (km)</u>	<u>Diameter (inches)</u>	<u>Service</u>
Bab--Maqta'	2x130	24/30	
Bab--Ruways	100	30	
Mirkam--Jabal 'Ali	85	24	
Syria			
Qaratshuk--Hims--Tartus	650	22/20/18	crude oil
Hims--Damascus	150	6	products
Hims--Halab	175	6	products
Hims--al-Ladhiqiyah	150	6	products

2. Urban natural gas distribution pipelines

Distribution networks are distinguished by being low-pressure and serve many customers. Designs for these networks are required to be of superior specifications so that they can continue to operate reliably and safely. Concern for safety is therefore given first place when these networks are constructed.

Many Arab cities have undertaken to set up such networks. In recent years, Cairo has begun to implement a gas distribution network and has started to switch consumers from the use of liquid gas cylinders to a natural gas network, making the required modifications in home equipment so that it can operate efficiently on natural gas. The British Gas Council has taken charge of the conversion operations, since the Council acquired good experience when it converted the British gas network from city gas to natural gas after the discovery of North Sea gas.

Undeniably, the establishment of gas distribution networks will encounter difficulties and problems at the time of construction, for it is to be noted that in the building expansion that has taken place in the capitals and cities of the Arab states no consideration was given to laying these networks. It is therefore necessary that the manner in which they are established be efficient and not conflict with other existing services.

As a first stage, it may be best for these countries to begin distribution in model housing complexes and to do so by constructing for each area a separate system composed of a distribution network and a station containing reservoirs for liquid gas. The gas would be vaporized and mixed with air at the station and would then be distributed to consumers. In the second stage, one would dispense with these stations, and all the systems would be linked to an overall network.

In all cases, this subject deserves attention, and technical and economic studies must be done of the available alternatives.

3. Special-service pipelines

3.1 Liquid gas pipelines

These pipes are subject to special specifications. In particular, they require the placement of many valves to isolate the pipe, depending on the area through which the pipe is passing. These valves are operated and controlled automatically and remotely, which means that power and control cables must be laid out. In addition to these valves, there are cut-off valves to prevent reverse pumping.

Liquid gas pipelines are among special-service pipelines. Experience available in the Arab countries is still recent, in spite of the existence of several lines in Algeria. A new line was recently constructed in Iraq and another in Saudi Arabia. Liquid gas networks are expected to increase in the future, if the gas project is implemented in Qatar and in the other Arab states. Special attention must be given to this kind of pipeline, given the fact that construction of such networks must be expanded in the Arab states in order to take fullest advantage of the use of liquid gas locally or for export.

3.2 Hot pipelines

The transport of heavy fuel oil requires a special pipeline coating that includes a layer of polyurethane, as well as the installation of electric or steam heating (steam electric tracing [as printed]). The number of such pipelines existing in the Arab states is very small, being limited to a few lines extending from refineries to neighboring electrical power generating stations or to storage depots. In view of the establishment at Arab refineries of a number of conversion units which will increase fuel oil viscosity, pumping will require that the oil be at a high temperature and that its temperature be maintained so that the pipeline not be subject to solidification of the oil within it.

4. Factors influencing the construction of pipelines

The basic factors influencing pipeline construction in the oil industry, factors whose techniques have continually improved and which must be especially considered, are the following:

4.1 Materials

As soon as steel began to be used for transportation purposes, pipes began to be constructed using steel of high ductility and low stress. These pipes were therefore thick. As technology developed, high-stress materials developed, allowing a decrease in the thickness of the pipes and, therefore, a decrease in the weight of the iron. Since pipes were sold by the ton, this meant a reduction in the cost of pipes. In modern designs, one takes advantage of superior pipe specifications by using pipes suited to the pressure at which the pipeline will be operated. It has therefore become customary to use pipes of differing thickness, so that the thickness of the pipe is appropriate for the pressure prevailing at that point. All these measures serve to make

pipes more economical and less expensive, but the increase in grade makes the welding of pipes and the preparation of good welders difficult. Continued progress in technology should be expected, given the fact that pipes now are of the 70-X type, while in the sixties they were of the 52-X type. It has also become possible to coat the pipe outside and inside at the place of production.

The technology of pipe manufacturing is an advanced and constantly developing technology. Several pipe production plants have been set up in the Arab countries, particularly helicoidal pipes. However, they have not been widely used in the oil sector, their use having been limited to carrying water and for irrigation. This industry must be expanded, and the production of drawn small-diameter pipes must be begun in the countries having an iron and steel industry.

4.2 Coating

Pipe coating methods have developed rapidly. Most coating operations used to be done on site with hot-applied coal tar; now they are done by using cold-applied plastic films. Most of the pipelines previously constructed in the Arab states were implemented using the hot method. Experience available in the area of applying this method is therefore good. There are, however, many problems in using such a method: the operation is slow, its cost is excessive, and there are unhealthy noxious vapors that arise when the operation is carried out.

There has been a switch to other types of coating through the use of PVC film. Since the use of these kinds of coating is new, the available information and experience is not sufficient to allow a full evaluation of these coating methods. Indeed, there is some indication that many of the pipes set up in the Arab region have begun to suffer after a short time from corrosion problems due to deterioration of the coating materials.

4.3 Telecommunications

Pipelines require constant communication between the pumping stations and the loading port, as well as with maintenance and operation teams. This is done by means of an advanced telecommunications system. In the past, wire or wireless communications were used. Afterwards came microwave systems, although these systems are subject to interference and sabotage. In recent years, new methods have appeared, such as the use of fiber optics, which can be laid in the pipeline trench at the time of construction, so as to provide all communications services for the pipeline and for the area in general.

4.4 Operation and maintenance

Most large pipelines built in the Arab states are undertaken by international corporations. After they complete construction and operate and maintain the lines for a year, they hand them over to the local authority for operation.

Operating and maintenance operations therefore take on great importance for the oil sector, since operators and workers must be trained to supervise continuing operation and efficient maintenance in order to guarantee the safety of the machinery, equipment, and workers and its endurance for many years. Operation and maintenance services require the provision of methods of service and communications and good means of transportation, so that one can reach work areas or areas of damage as quickly as possible. In the case of long pipelines, it may be necessary to use light aircraft.

Pipes are subject to rupture or to leaks. These are among the most important problems confronting pipeline operation, and they lead to leakage and loss of oil or products, as well as causing serious environmental pollution if hydrocarbon materials reach surface or groundwater areas. Leaks may also cause fires and explosions, with loss of life and property, not to mention the interruption of pumping and the economic losses.

Among the causes leading to leaks and breaks are: 1) corrosion; 2) mechanical failure due to a rise in pressure, faulty planning, or the use of defective materials or equipment; 3) the action of nature, e.g., rains, floods, earthquakes, etc.; 4) other actions, by contractors working near the pipeline or by farmers, as a result of digging operations. Pipelines may also be subject to sabotage by certain groups of saboteurs, necessitating surveillance of the pipeline by continuous patrols.

In spite of all this, pipelines enjoy the characteristic of superior efficiency and are one of the convenient, preferred, and economical ways of transporting hydrocarbon materials.

Methods used in discovering and controlling leaks and in repair operations are among the subjects that will be discussed by the experts.

Modern Developments

There is no doubt that oil and gas pipelines have witnessed enormous developments during the last 3 decades. Mechanical dispatching and control centers have been introduced. Welding and construction methods, together with the necessary equipment, have improved. These developments have led to a great decrease in the number of workers on pipelines for operating purposes, and their number is expected to decrease even further when computers come into general use for control and for leak detection. Networks are also expected to become more extensive and their uses to become more varied.

Keeping up with and employing modern techniques in the Arab networks will lead to continual improvement in operating systems and in the skill of workers on these networks. This will call for good training preparation and for the transfer of technology suitable to the conditions of the Arab region.

Summary

In the Arab countries there are huge fields for the production of hydrocarbons. The operations of production, transport, and marketing require the

establishment of extensive and efficient pipeline networks. Construction operations will therefore not stop; indeed, in view of the Arab oil industry's technological progress and continual development and expansion, the region will see new kinds of special-service pipelines, such as two-phase flow pipelines, hot pipelines, liquid gas pipelines, cryogenic gas pipelines, marine pipelines, etc.

In the Arab region there are now many plans and projects for principal pipelines to be implemented during the coming 10 years, for example: 1) a crude oil pipeline to carry oil from Kuwait, Saudi Arabia, Qatar, and the Emirates for export from a port on the Arabian Sea or the Gulf of Oman; 2) a gas network to gather and distribute gas in the Arab Gulf region; 3) a pipeline from Iraq to Turkey for oil and gas, completion of the extension of the crude oil line across Saudi Arabia to Yanbu'; 4) a pipeline from Iraq across Jordan to al-'Aqabah; 5) a pipeline to carry gas from Iraq to Kuwait; and 6) a second pipeline to carry gas from Algeria to Italy or Spain.

These are in addition to the many projects for constructing pipeline networks within each Arab country for domestic transportation and distribution purposes.

The pipeline projects will require good wireless communications and electrical or gas power to operate pumping or compression stations by means of turbines or electrical generators. Also, electrical power is needed to operate cathodic protection. Use may be made of solar-powered generators instead of thermal generators, and this will lead to the development of electrical power distribution networks in the Arab countries.

It is useful to look at the pipeline networks in a pan-Arab perspective. It is said that some networks stop at the borders of one country in spite of their potential use for the benefit of a neighboring country in an economic and technical way satisfying to the parties in question. It is sad for us to see principal pipelines whose operation has now stopped completely, like the Iraqi-Syrian lines, or partially, like the TAPline.

The subject of pipelines in the Arab countries remains an important one that needs continual discussion and study for the purpose of:

- 1) increasing the exchange of experience and information among the Arab countries and studying the best possible utilization of available equipment and construction possibilities;
- 2) reaching formulas and possible ways of cooperation and coordination between those in charge of transportation in the pipeline sector;
- 3) proposing new projects that can be studied, or making changes in existing pipelines to achieve better operation, or so that other neighboring countries may be able to benefit from them;
- 4) discussing modern developments in materials, equipment, and methods of building, operation, and maintenance;

- 5) proposing studies that could be carried out by the [OPEC] organization or by other Arab organizations;
- 6) looking into the use of pipelines for the exchange of petroleum products between the Arab countries, and studying what storage facilities for petroleum and petroleum derivatives these operations would require; and
- 7) encouraging private, public, or joint Arab companies to establish and manage pipelines in the Arab countries.

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12937/9365

CSO: 4404/494

MOROCCO

ALLEGED MOROCCAN-SOUTH AFRICAN MILITARY COOPERATION REPORTED

Johannesburg THE SUNDAY STAR in English 7 Sep 86 p 9

[Text]

HARARE — A military pact between South Africa and Morocco has existed "at least since 1977", says the Foreign Ministry of the Saharawi Arab Democratic Republic.

According to the treaty, says the ministry, Morocco agreed to provide a training camp for Unita and South Africa offered to provide instructors to train Moroccan soldiers.

Mr Omar Mansour told a news conference in Harare on Friday night that "we found this out when we began to capture South African weapons from the Moroccan troops", the semi-official news agency Ziana reports.

A SA Defence Force spokesman in Pretoria dismissed the claims

"This allegation is typical of the kind

of statements which have flowed with monotonous regularity from the Non-Aligned Movement conference currently being held in Harare.

"The allegation is so ludicrous that it does not warrant comment."

"Captured Moroccan soldiers have told us that there are South African instructors in bases in southern Morocco," said the minister.

"In exchange for this aid, Morocco has offered the South African-backed Unita bandits a training camp in southern Morocco," he said.

This alliance was "completely logical", said Mr Mansour, "since Morocco and South Africa are the only countries on the continent outside the OAU, because they do not respect the principles of the continental body." — Sapa.

/9365

CSO: 4500/209

9 October 1986

SUDAN

OFFICIAL INTERVIEWED ON POLITICAL, ECONOMIC ISSUES

London AL-TADAMUN in Arabic 30 Aug-5 Sep 86 pp 22, 23

[Interview with 'Umar Nur al-Da'im Minister of Agriculture and the Number Two Man in the Ummah Party, by Fatah al-Rahman Mahjub, Khartoum, date not specified]

[Text] Dr 'Umar Nur al-Da'im is a "partisan from the cradle to the grave," as he puts it; he is a scion of a family of prominent supporters of the Imam al-Mahdi, and he has not deviated from his beliefs since he was a student.

Since his early fifties, he has been associated with Mr Sadiq al-Mahdi, the leader of the Ummah Party, ever since the direction taken by Mr Sadiq in the sixties began to crystalize, moving the Ummah Party into its new position of strength.

Dr 'Umar Nur al-Da'im graduated from the College of Agriculture at Khartoum University in 1957 and worked as an agriculturalist for 7 years, during which time he obtained his doctorate in agricultural engineering in Federal Germany. After that, he devoted himself completely to politics. He twice ran in the parliamentary elections between 1965 and 1967, when he won in the same constituency where he won in the elections of last April, and he was--as he is today--minister of agriculture from 1966 to 1967.

Dr 'Umar Nur al-Da'im is the number-two man in the Ummah Party after Mr Sadiq al-Mahdi. He is a member of the party's general secretariat, which is the five-member leadership group at the top of the organizational pyramid, and he also supervises the specialized secretariats of the party. In addition to his ministerial post, he has also been given the task of leading the majority in the constitutional assembly.

AL-TADAMUN met with Dr 'Umar Nur ad-Da'im in his office at the Ministry of Agriculture and Natural Resources after a long wait amidst a multitude of meetings, some of which were with representatives of international agencies and countries concerning the attack by the desert locust on the growing season, and some of which were with small delegations of small farmers who came to present their concerns to the minister so that their crop season would be successful.

Here is the text of the interview.

[Question] Are there not offices to take care of such detailed matters and spare some of the minister's time?

[Answer] If it were that easy, such delegations would not have gone to the trouble of traveling and waiting to meet with me. There was an administrative breakdown that worsened during the past era; were it not for that, their problems would have been solved and they would be where they belonged. We consider this breakdown to be a part of the destruction of the past era, and we are working to repair it in all facilities. As a result of that administrative breakdown, my working day begins at 6 in the morning and continues until dawn prayers of the following day.

[Question] As majority leader, how do you evaluate the performance of the government and the opposition in light of the latest exchanges over the statement of government policies?

[Answer] I had expected the opposition to be more forceful than it was, and more capable of bringing up the aspects that might have escaped us when we were presenting the statement of the government's policies. However, in the reactions that the opposition came up with, I saw only a repetition of what was in the government's statement. Even my colleague, Minister of Information Brother Muhammad Tawfiq, said that when he was listening to the opposition's reply, there were moments when he thought that the opposition was offering the government's policy statement itself!

Commenting on the government's policy statement, a large number of deputies spoke, both from the government side and the opposition. However, it was difficult for a person to distinguish between the inclinations of the speakers, whether a particular deputy represented the government or the opposition. That was because they were speaking of their own accord and because the statement of the government's policies was acceptable.

[Question] Did the left-wing opposition, though it is poorly represented in parliament, take the same line?

[Answer] What I have mentioned relates generally to the Front (the National Islamic Front) opposition, as I call it. As for the Marxist opposition, because of its program, its treatment was clearer and more precise compared to the Front opposition. For example, the Marxist program concentrates on economic issues, so the Marxist opposition's reply to the government's statement was clear and precise on matters relating to the economy and on the alternatives that it proposed, such as concentrating on the public sector formula.

[Question] Assuming that the opposition's response does not differ much from what the government said, what in your opinion are the most notable points of difference between the government and the opposition?

[Answer] In my opinion those are limited to three issues: the issue of the purge, the issue of regional rule, and the issue of local administration; in my opinion the two opposition groups have fears regarding the manner in which we will deal with these issues.

Here I would like to make myself clear. With respect to purging the state's system we will proceed until the end to remove the traces of the May revolution (the former regime) and to tear them out by the roots. We as a government are facing administrative and economic problems of the worst kind, and we cannot rebuild the Sudan with the same group that Numayri brought. Therefore, we as a new, elected, authorized administration will not leave anyone in his place as long as he is of the group with which we absolutely refuse to deal. Numayri used to rule with them, and they have no place among us. But this will not be done arbitrarily; rather there will be a basis to it, and we intend to be just.

[Question] Why does the opposition have fears towards the issue of purging?

[Answer] I believe that the fears have no objective basis. Perhaps they think that we will purge the public service of their elements, or perhaps they feel that several of the custodians of the past regime are among them; I do not really know why. What I do know is that we are facing a bad situation, especially with respect to administration and that an administrative relapse is one of the most serious plagues threatening any country, and it must be dealt with. Our brother the public prosecutor is working hard to bring about a law concerning the purging and removal of all the elements with which Numayri ruled. In any case, I believe that they in the opposition are not being objective, for if they really were calling for the liquidation of the May revolution and its traces, and if they really wanted that, how could the liquidation be done without purging the system of the May legacies?

[Question] We come to the issues of regional rule and local administration.

[Answer] Regarding regional rule, problems in the regions still exist, and there are constant complaints from citizens regarding taxes, the food supply, and other issues. Many complain that "May" is still oppressing them through their daily conduct and dealings and through the committees concerned with their lives and their needs. Some want neutral administrators, as they say, to govern the regions; but we believe, what with the popular majority that we have that backs us, that the regional governors should be politicians from the ruling parties. We want governors whom we can trust and in whose abilities we are confident, for we are answerable for that to the Sudanese people, who by about 80 percent gave us the mandate to govern them. We will govern in the way that we see fit. Any ruling administration has the right to bring in its own people, as long as it has the popular majority.

As for local administration, what we aim for is the local administration to be democratic, that is, its leaders should not be selected by inheritance, but rather through free elections. Speaking of the administrative issue, there is an urgent need for local administration, since we do not have anyone in

the regions or the countryside to collect taxes and tithes or to pursue land cases and the cases of the people themselves. In the past, the local administration used to hear about 80 percent of the people's cases, but now there is no judiciary, no security, and no order. The mayor of Berlin or New York is elected, so what of it if the leader of any region in the Sudan were elected by the same means?

The proof that there is no ready alternative to local administration comes in the fact that the former administrators and elders (after local administration was abolished during the former regime) came by way of free elections to the constituent assembly from the Madibu, Abu Sinn, Habani, or Talhah families. Before you came in, one of the tribal leaders who had been dismissed (when local administration was abolished in the past) came to see me to ask for grass seeds for the region in which his tribe lives. He had been authorized by his tribe to act on its behalf, even though it knew that the local administrations had been dissolved during Numayri's time. If the opposition has alternatives, let them come forward with them.

[Question] What about the disagreement between you and the Front opposition concerning the application of Islamic law?

[Answer] First of all, I would like to make it clear that in the Sudan there is no disagreement or difference of opinion with regard to Islamic thinking. We do not have the sects that we find in other countries, that have obscure tendencies and are religiously antagonistic. All the Sufi movements as well as the Mahdite movements and even the movement that brought us the Muslim Brotherhood in the forties are all based upon a single general religious point of view, for the people in the Sudan are Sunni. However, each group has its own identity. We are Mahdite in nature (going back to the Imam al-Mahdi), and that nature is revolutionary. On this basis we consider the National Islamic Front to be conservative in nature.

During the Mahdite period, for example, when the Imam al-Mahdi or his caliph as governing, it never happened that a thief's hand was cut off, for it was the view of the Imam al-Mahdi that the Muslims were impoverished and as long as the public treasury was unable to provide for them, he would not cut off any hand. That is a revolutionary and progressive concept. But now the Islamic Front is asking that hand-cutting be practiced against those who are in prison without considering their economic situation, and this in my opinion is a backward way of thinking. Islam in our opinion is not just the application of penalties; otherwise it would just become a formal matter. What we aim for is a comprehensive Islamic system. At the roots of the Mahdi-ism, we see that the Imam al-Mahdi nationalized the land on the basis that the land belonged to the tribe and not to individuals, and when Jafar Numeiri rebelled against that in the White Nile Province they brought him to Umm Darman and he was imprisoned by the Caliph 'Abdallah for 16 years, even though he was one of al-Mahdi's supporters. The Imam al-Mahdi also nationalized the oil presses on behalf of the Muslims' public treasury, and he instituted the pilgrimage, as long as a holy war did not take precedence. And thus our roots are revolutionary; the stance towards Numayri, for example: did we swear allegiance to

him as followers to an imām? Here lies the difference between religion and politics, for those who swore allegiance to him did so for their own interests, and not because of religious satisfaction with him.

[Question] Are we to infer from this that that is a confirmation of what Mr al-Sadiq al-Mahdi said, that there is an intellectual kinship with the elements of the right-wing opposition, as he called them, but a political aversion to them, in contrast to the situation with the left, that is, intellectual aversion and political kinship?

[Answer] Reality bears that out. The left cooperated fully with us in bringing down the regime. During the wave of strikes that prevailed in 1981 and 1982, we made contacts with all the politically influential people in order to expedite the collapse of the regime. For example, I remember that Mr al-Sadiq al-Mahdi and I met with Lieutenant General Muhammad Tawfoq Khalil at the home of Brother 'Abd-al-Rahman Farh (one of the party's leading personalities and one of its deputies from the capital's constituencies); at that time Khalil was a major general in the Corps of Engineers (he is now chief of staff). Mr al-Sadiq told him that it was incumbent on the army to remove Numayri, for the political movement was now ripe, and Numayri's destruction of the country had gone as far as it should have.

Khalil's reply was that that would not be easy, for Numayri had planted a spy among every 10 officers. Nevertheless, he promised that the army would intervene if there were strikes or civil disobedience and that the army would side with the people. Mr al-Sadiq gave him a three-page charter, which was summarized recently during the shakeup, and he asked him to look at it and spread it as much as he could amongst the members of the armed forces. I say this for the historical record, and so that I might preserve their positions for the people. At the same time, up until 1983, I spoke with one of the leaders of the Islamic Tendency on the need for them to withdraw from Numayri's organizations. But he told me that they knew who Numayri was, but that they had a framework for Islamic action in the fields of missionary work, aid, and the Islamic banks. We would have liked the Islamic Tendency, as they called themselves, to have withdrawn from the disbanded Socialist Union, and when they refused, that political split occurred between us that you see to this day. These problems do not come from nowhere. Therefore, we do not consider the difference between us to be religious or ideological; rather it is a political split.

[Question] Is there a possibility that that rift might be mended, as long as you are close, intellectually speaking?

[Answer] That is something that is governed by a charter. For example, when we began to form the government, we called it a government of national unity [in the political sense] and not national unity [in the ethnic sense], striving to bring together its parts according to the rules of a set charter. Whoever rejects the charter is not expected to participate in the government, but I think that they would not object if they were asked to participate. We as leaders brought up the subject to the two coalition parties; however, the

parliamentary committee of the Democratic Unionists and the Ummah Party rejected the Front's participation in the government for reasons, in my opinion, relating to conduct that occurred during the elections, and so the majority decided to deal with them.

However, in political action we are a political force that must interact with and be affected by current changes and objective events. Within this framework, no one can say that we have shut the door with finality to dealing with this front or that. In the end, the issue does not go beyond a formula for working with one another and coexisting, and all elements in the constituent assembly, both government and opposition, are exchanging view, reaching mutual understandings, and sharing in the current changes. This is a characteristic of the new system, which is based upon a multiplicity of parties and respect for law and human rights.

[Question] The National Islamic Front accuses you of talking about Islam, but in practice shrinking from applying what has been achieved. What is your view?

[Answer] As I mentioned previously, our roots are different, and the Mahdite roots are revolutionary. We brought up a point of view in NAHJ AL-SAHWAH as part of the election platform, and we publicized our stance against false Islam and false allegiance, and we were supported by the majority of the voters. On the basis of that platform, as a representative of a district, Sayyid al-Sadiq al-Mahdi got the largest number of votes in the history of parliamentary elections in the Sudan, and that in the strongest of the strongholds of the Islamic holy war where his district lies. This shows that the Muslim majority has decided the issue on the side of our point of view.

In the past, the Imam al-Mahdi made his famous pronouncement: "The Book of God is on our heads, and the Sunnah of the Prophet of God (God pray for him and grant him peace) is on our shoulders; but as for what the imams have brought, they are men and we are men, so we must form independent opinions as they did. Each period has its own teachings and circumstances, and every time and season has its own men." As I said before, we believe that the National Islamic Front is a force that is conservative in terms of Islam and that the reformist or conservative actions that the martyr Imam Hasan al-Banna brought about with respect to the religion were not revolutionary. Mahdi-ism came as a revolutionary force that united the nation, revived the spirit of Islam, and united the tribes and the sects. If by Islam they mean the September 1983 laws, then we welcome the freezing and elimination of those barbaric laws. The past regime had tried to impose some of the Islamic penalties in order to protect an oppressive government, and for our part we reject that. Religion is based on unity and justice. The penalties are to preserve Islam, but they are not the whole of Islam; they are the final links in the religion. In our opinion, the religion is the system, the just form of government, the guarantor of freedom and an honorable life, etc. The penalties are to preserve the system, and not vice versa. The African emperor Bokassa, for example, smashed the heads of thieves and cut off their hands, and the Pharaoh of Egypt cut off the hands and feet of the magicians on alternate sides. Is that Islam?

The dialogue that is going on now on the subject we consider to be tantamount to educating the people so that constitutional and legal matters may be concluded, since the average citizen must be familiar with all aspects of the issues so that our roots may be known and preserved. Just as a breakdown occurred in all areas of public life, such a breakdown also occurred with respect to legislation. We are now working to repair this state of collapse by studying and examining the situation, which will bring us to the tolerance and justice of Islam that we strive for.

[Question] Talking about Islamic laws brings us to the situation in southern Sudan and to dealing with the Sudanese African Bloc in the constituent assembly.

[Answer] It is true that among our southern brothers there are elements that entertain fears engendered by the September laws. These laws rise to the surface whenever there is talk about Islam or Islamic laws. This is natural, since Numayri's experiment frightened the Muslim citizens in the north. So what can you expect of the non-Muslims in the south?

Anyway, the matter needs to be dealt with wisely, even though I personally believe that the crimes that were committed in the name of religion were limited for the most part to northern Sudan for political reasons; I myself was imprisoned under those laws. Perhaps the northerners have a right to be more frightened because of the terrors that they have encountered. Anyway, I believe that our brothers, the leaders of the southern and African elements, are closer to us than any other side in that cause.

12547/12851
CSO: 4504/410

SUDAN

MINISTER OF FINANCE, ECONOMIC PLANNING PROFILED

London AL-TADAMJN in Arabic 30 Aug-5 Sep 86 p 24

[Article by Uthman al-Mirghani]

[Text] Dr Bashir 'Umar sits on the seat of the Ministry of Finance and Economic Planning in the Sudan. As most observers see it, it is a very hot seat; indeed, it is perhaps the hottest seat in the Sudanese government, which came about by the will of the people through the ballot box last May. The Sudanese economy is dangerously ailing, and the "prescription" of the International Monetary Fund has become part of the disease, not a treatment for it. Meanwhile, the people are anxious for solutions, since the pressures of making a living have nearly brought them to the brink of despair.

The young doctor Bashir 'Umar realizes all that, and he also knows that he has inherited a heavy legacy in the Ministry of Finance and Economic Planning. There is a war in the south that drains the state treasury and thwarts economic projects that might have solved some of the Sudan's basic problems. There are foreign debts of more than \$9 billion, which give rise to interest payments that the empty treasury is unable to pay. On top of all that, there are problems in the civil service, and public services are deteriorating, prices are rising, and there are continuous strikes.

Therefore, after all the imported prescriptions had failed to cure the ailing economy, many became convinced that a local remedy was the only remaining hope, and therein lies the role of Dr Bashir 'Umar. For even though he does not hold a degree in medicine, he has a doctorate in economics, and thus he is an economic doctor, so to speak. He is also one of those well-versed in the various aspects of the Sudanese economic crisis because of all the studies that he has written and all the conferences in which he has participated.

Those who know him well say that he is a fighter who neither delegates nor is scared off. He is a principled man, and unchangeable; he is very proud of a verse of poetry which says:

O you who change your nature, do you not see that when the leaves of the branches change color they fall?

They also mention that he is a hard worker, a struggler. He made his way from the schools of the White Nile province to the University of Khartoum. Indeed, even after the former regime had fired him from his job, and cut off his scholarship at Manchester University in Britain because of his oppositional political activities which led the authorities to convict him in absentia in Aug 1976 on the charge of plotting against the regime of the former president Ja'far Numayri...even after that happened to him he was not overcome by despair, and the fighting, hard-working spirit did not die in him. He continued his studies at Manchester University until he got his doctorate, and he worked as a lecturer at this British university. He continued at this job until 1980, when he returned to the Sudan under a general amnesty that was issued as part of the national conciliation of 1977.

While he was in Britain he was politically active on a broad scale, and that got him to the presidency of the Union of Sudanese Students in the United Kingdom and Ireland, the presidency of the General Union of Arab Students in the United Kingdom, and then the presidency of the General Union of African Students. He did not cease his political activity, even when he returned to the Sudan to join the College of Economic and Social Studies at Khartoum University, even though it was dangerous to be involved in political work in opposition to the regime existing at that time. Because of his brilliance and hard work, he became a member of the Politburo of the Ummah Party and of the party's central committee.

He tackled the election battle last April in the East White area where he grew up. Just as he had made his way in his youth from there to Khartoum University, he now made his way from there again to the constituent assembly in Umm Darman to become one of its new members. Al-Sadiq al-Mahdi's choice of him as minister of finance and economic planning came as a surprise to many who had expected that the burden of this ministry would be given to one of the "elders" in politics, and not to one of its youth (Dr Bashir 'Umar was born in January 1951). However, those who look into his qualifications will be reassured regarding the newcomer and consider him to be a boon to the government team, which needs the zeal and loyalty of the younger generation just as it needs the experience and wisdom of the older generation.

Some were surprised once again when Dr Bashir 'Umar went to Addis Ababa in the first week of this August to resume the talks that had been started by Prime Minister al-Sadiq al-Mahdi with Colonel John Garang, the leader of the forces which are conducting the war in southern Sudan. People wondered: What business does the minister of finance have with the problem of the south?

But perhaps those who wondered did not know that before Dr Bashir 'Umar held any government post, he had been one of the contacts between the Ummah Party and John Garang's movement. In October al-Sadiq al-Mahdi had charged him with bearing the reply of the Ummah Party to the letter which the party chairman had received from Col John Garang. After that, he carried out many other tasks in the area of contacts between the Ummah Party and the national grouping on the one hand and Col John Garang's movement on the other. Going from there, he took part in the meetings out of which came the agreement that is known as "the Kukadam declaration."

From this it appears that Dr Bashir 'Umar is not afraid of difficult tasks; rather he is eager to perform them. Perhaps that is what caused him fearlessly to accept the hot seat in the Ministry of Finance and the National Economy. That post will require all the zeal of the young minister, all the expertise of the hard-working academic, and all the toughness of the rural native who made his own way, struggling without surrendering, fighting and not calling for a truce.

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CSO: 4504/410

SUDAN

BRIEFS

BANK OF SUDAN SUBSIDY--The revenue of the free market resources committee increased by \$100 million when the committee received a financial subsidy and 30 percent of the revenue from the Bank of Sudan. This was the information that Mr Uthman Sulayman, president of the free trade revenues committee announced to AL-SIYASAH. He explained that the committee in its latest meetings allocated \$3 million for the provision of medicine and \$400,000 for the financing of the two pharmaceutical plants in the Sudan and other resources, pointing out that the committee has concluded many agreements with Arab banks for the purpose of facilitating the process of attracting funds. He also said that the committee offers attractive rates for the exchange of currency, better than the rates on the black market. It offers 405 piasters as the rate of exchange, plus 37.5 piasters as an incentive [as published], and he made it clear that the committee will discuss the question of those who live outside the country and are seeking an immediate exchange for their currency. He also pointed out that the committee is following the policy set by the Bank of Sudan and that this policy can only be changed by a resolution of the bank, the Ministry of Finance, and the committee on foreign currency to supply input for production at the Ministry of Finance. It is worth mentioning that not long ago, the revenue of the committee was \$89 million. [Text] [Khartoum AL-SIYASAH in Arabic 20 Aug 86 p 1] /8309

CSO: 4504/413

IRAG

FINNS INAPPROPRIATE CANCELLED BOAT ORDER

Helsinki HELSINGIN SANOMAT in Finnish 30 Aug 86 p 13

[Article: "Boats Paid for by Export Guarantee Agency for Pilots and Rescuers"]

[Text] The government is buying 12 metal boats from the Machine-Roller Company of Vaajakoski that were ordered as early as during the past decade by the Iraqis. Eight of the boats will go to the Maritime Trade Administration as pilot tenders and the four smaller ones to the Finnish Sea Rescue Society. The fate of the four remaining boats [as published] is still uncertain.

Operating in the rural community of Vaajakoski near Jyvaskyla, the metal industry company managed to supply Iraq with about 50 metal hull workboats before the war between Iran and Iraq cut off sales and 16 completed boats were left on the company's hands for a year.

Because of differences that arose over outstanding debts, the Export Guarantee Agency did not immediately pay compensation for the 8-million-markka sale that had fallen through. A second attempt to sell them to a Swiss firm was also scrapped and so the Export Guarantee Agency had to pay off to the Finnish bank the note for 27 million markkas contracted by the buyer. The agency insisted on getting Machine-Roller to pay nearly half that amount and finally the company petitioned for bankruptcy. The petition was withdrawn after negotiations and now the state is prepared to buy the 12 boats.

According to the agreement, the amount of the sale will go directly to the Export Guarantee Agency to reduce the outstanding debt.

The eight larger pilot tenders along with the modifications will cost 800,000 markkas apiece and the combined cost of the four aluminum hull boats to be turned over to the sea rescuers will be 1.4 million markkas.

Trade and Industry Ministry bureau chief Bror Wahlroos is inclined to regard the deal as a subsidization of the company. As for Matti Sinkkonen, the general manager of Machine-Roller which is one of the Tana companies, he said that subsidization of the company would have been involved if they had reached an agreement as far back as 6 years ago.

The Maritime Trade Administration plans to place its boats, measuring 10.3 meters, in both inland waters and on the coast for use by pilots. The sea rescuers plan to launch three 8-meter aluminum boats in inland waters and one in the sea.

IMPACT OF OIL PRICE DECLINE MIXED

London MIDDLE EASTERN ECONOMIC REVIEW in English 30 Aug-5 Sep 86 pp 46-47

[Text] THE oil price slump is having a mixed impact on Jordan. The import bill for 1986 will fall from last year's level because of the reduced cost of crude liftings, but remittances from Jordanians working abroad will continue to decline as the largest employers — the Gulf countries — cut their foreign labour forces. Grants from abroad are projected to reach JD 156 million (\$486 million) in 1986, against a peak of JD 199 million in 1982.

Growth Gross domestic product (GDP) growth in 1985 was less than 2 per cent, in real terms, and is expected to be minimal in 1986. The 1986-90 plan calls for an annual 5 per cent rise in GDP; this would bring it to JD 1,739 million in 1990, compared with JD 1,359 million in 1985, at constant prices. Gross national product (GNP) is also projected to grow by 5 per cent a year, reaching JD 2,367 million in 1990, against JD 1,856 million in 1985. Inflation in 1985 fell to 3 per cent, from 3.9 per cent the previous year.

Key contributors to GDP in 1984 were wholesale and retail trade, including restaurants and hotels, at nearly 13 per cent; manufacturing at 10 per cent; transport at 8 per cent, and insurance and financial services at 7.9 per cent, according to central bank figures. Income from tourism in 1986 is expected to fall as a result of the April US raids on Libya and continuing political tension in the region.

Jordan's principal natural resources — phosphates and potash — are subject to the vagaries of the primary products market. Jordan Phosphate Mines Company recently bought the loss-making Jordan Fertiliser Industries Company in an attempt to make the latter profitable; Arab Potash

Company plans to increase production. New markets in India, where barter deals are playing an increasing role, and China are good prospects for 1986.

The 1986-90 plan gives priority to job creation. The government aims to create 201,000 job opportunities to cover the expected rise in labour supply caused by the return of Jordanian workers from other Arab countries. Unemployment is officially put at 6 per cent of the workforce, although most economists estimate it at nearer 9 per cent.

Balance of payments The balance of payments position is expected to improve in 1986. Exports will increase to around JD 340 million, MEED forecasts, as the market for phosphates widens. Imports will decline to about JD 900 million, as the private sector picks up and the government's protection programme begins to show results.

Purchases of capital goods — a large percentage of overall imports in the past — will decline with the fall in the number of large construction projects. Imports of machinery and transport equipment in 1985 dropped to JD 207 million, from JD 216 million in 1984. The figure for first-quarter 1986 reached JD 43 million — up from January-March 1985, but well down on the JD 60 million recorded in first-quarter 1984.

Crude oil liftings, which accounted for about 18 per cent of import costs in 1985, in January-April 1986 reached JD 39 million, compared with JD 50 million in the first four months of 1985.

Expatriate remittances dropped for the first time in 1985, reaching JD 403 million, from 1984's JD 475 million. A further signi-

Jordan: revenue and expenditure, 1982-86
(JD million)

	1982	1983	1984	1985 ²	1985 ¹
Revenue, ¹ of which	561.8	599.9	525.5	640.9	580.0
Domestic	362.0	400.0	413.0	434.5	420.0
Foreign grants	199.6	197.0	106.1	194.9	155.0
Loans repaid to central government	0.15	2.9	6.5	11.6	5.0
Expenditure	674.8	668.0	686.5	768.9	635.0
Deficit	113.0	68.1	161.0	128.0	55.0

Notes:

¹ Central Bank figures for revenue no longer include foreign borrowing

² Preliminary

³ MEED forecast

End-year exchange rates: \$1 = JD 0.3515 (1982); \$1 = JD 0.3715 (1983);

\$1 = JD 0.4050 (1984); \$1 = JD 0.3783 (1985); \$1 = JD 0.32103 (1986)

Source: Central Bank of Jordan, monthly statistical bulletin, May 1986

Jordan: balance of payments, 1982-86
(JD million)

	1982	1983	1984	1985 ¹	1985 ²
Exports	264.5	210.6	290.7	310.9	340.0
Imports	1,141.1	1,101.9	1,069.2	1,072.5	900.0
Trade balance	-876.6	-891.4	-778.5	-761.6	-560.0
Services balance	385.0	455.1	395.6	346.7	300.0
Balance of goods and services	-491.6	-436.3	-382.9	-414.9	-260.0
Unrequited transfers	373.3	294.9	278.8	315.0	250.0
Current account balance	-118.3	-141.3	-104.1	-99.9	-90.0
Capital account	113.4	156.7	64.4	137.6	50.0
Overall balance	-4.9	15.4	-39.3	37.7	-40.0

Notes:

¹ Preliminary

² MEED forecast

Totals may be inexact because of rounding

Source: Central Bank of Jordan, monthly statistical bulletin, May 1986

ficant fall is expected in 1986. In 1985, roughly 339,300 nationals were working abroad.

The expected fall in remittances could be cushioned by a recent trend for more workers to bring home their savings and use the official banking system after the collapse of two local moneychangers.

Exports of phosphate rock reached 519,180 tonnes in May, 74 per cent up from May 1985. Production was also up, by 24 per cent. Exports for the first five months of 1986 show a 32 per cent increase from January-May 1985.

Debt Government success in cutting for-

eign debt levels is expected to ease economic pressures. Outstanding external public debt in the first five months of 1986 declined to JD 1,029 million, compared with JD 1,053 million at end-May 1985.

Outlook The extent to which the benefits from the fall in the price of oil and other imports is offset by the drop in remittances remains to be seen. Observers are optimistic that the balance of payments position will improve in 1986, with the trade deficit narrowing to JD 560 million, and the trade and services deficit declining to JD 260 million. Large infusions of aid will continue to play a vital role.

SAUDI ARABIA

REGIONAL DEVELOPMENT IN HA'IL ASSESSED

Riyadh AL-YAMAMAH in Arabic 6 Aug 86 pp 42-43

[Article: "Ha'il Is In the Eyes, Hearts and Minds Of the Planning Experts"]

[Text] The Kingdom's ambitious development plans have made the countryside strategically important to development.

This importance extends to such areas as Ha'il, the regional development plans for which AL-YAMAMAH obtained from a study on that topic prepared by the Saudconsult consulting firm.

The development plan provided a working framework within which the comprehensive development plan for Ha'il was drawn up, stressing complete conformity with national objectives and with the basic regional goal of having every region achieve its full development potentials. The regional goals connected with this broader purpose are as follows:

1. to develop agriculture to its full potential, harmonizing land usage with appropriate methods of water management;
2. to draw up a clearly-defined graduated categorization of urban and rural population centers which will complement the national settlement strategy and reflect the development potentials of every part of the region;
3. to provide a communications network to back up the settlement program and facilitate the movement of people and goods;
4. to distribute all public services fairly according to the needs, special problems and available resources of the region's sub-areas;
5. to reinforce Ha'il City's role as a regional center;
6. to maintain a suitable balance in the distribution of inhabitants and employment between the city and the rest of the region; and
7. to decentralize government functions.

The major goals for the city itself are as follows:

1. to create an easily-administered, organized, and economically efficient model for urban growth;
2. to diversify the economic basis in order to integrate it with the economies of all the other regions and the Kingdom as a whole;
3. to utilize Saudi manpower so as to reduce dependence on foreign labor;
4. to provide a comfortable, efficient, economical transportation network meeting all safety conditions;
5. to provide services and public utilities fairly and efficiently, in order to meet the needs of development; and
6. to create an attractive city reflecting its unique natural setting and its cultural heritage.

Economic Development

The economy of the Ha'il region depends mainly on agriculture, and to a lesser extent on government services, commerce and construction. In the rural areas, agriculture employs approximately 70 percent of the total work force, most of which works on small, traditional farms. The non-agricultural work force is chiefly limited to government services and small commercial operations.

The economic basis of Ha'il City is not directly linked with that of the region, since agricultural production accounts for an insignificant part of the supply, transportation and industrial transactions which mostly take place in the city. Retail trade, building, industrial production and government services are the main components of the city's economic basis, and employ 95 percent of the city's total work force. Most of the industrial operations are due to housing construction and the establishment of government-subsidized infrastructure projects. Thus, the city's economic activity revolves around national and local government expenditures and employment, and around retail trade.

In the future, economic activities will be based primarily on continued expansion and diversification in the agricultural sector. These two factors, in addition to increased productivity and better marketing channels, can be expected to operate together to create opportunities for setting up agricultural industrial projects such as food industries. At the same time, these activities will generate more income than agricultural production, thus leading to the growth of non-agricultural activities such as light industries and transport and distribution services.

This development process will strengthen relations between the region's rural areas and the city of Ha'il, and will provide new job opportunities for Saudis in the fields of trade, transportation and industry, which will benefit the income basis of the rural areas in particular. Also, Ha'il City will become a nationally important trade and distribution center.

Important Issues and Recommendations

1. Regional growth will basically arise from the growth and diversification of agriculture, and crop and livestock production will increase as a result of the increase in cultivated land, increased labor efficiency, and continued government support.
2. There are excellent opportunities for setting up farms and animal production projects. To a large extent, distributing large plots of land according to agricultural plans will yield good financial returns for the smaller farmers.
3. The trend towards diversifying crop production, such as fruits, vegetables and barley, in addition to the increase in animal production, will create opportunities for setting up agricultural industrial projects, which in addition to better marketing channels will lead to increased income from agriculture and to new opportunities for employment and investment in agricultural industries.
4. Along with diversified agriculture and increased income, there will be new opportunities in the industrial, retail trade, transportation and government services sectors. These sectors' growth will help diversify the region's economy, in addition to providing more jobs.
5. Continued development of infrastructure projects such as roads and telephone services, particularly in the rural areas, will become an essential element in facilitating regional economic diversification. The proposed northern cross-regional (national) road system will augment the commercial importance of Ha'il City and reinforce its position as a main transport and distribution center.
6. Employment is expected to grow to 129,000 positions by the end of 2005, an increase equivalent to 75 percent of total 1983 employment, and adequate to accommodate the natural increase in the Saudi population. Equally important, overall regional production is expected to grow more than 300 percent during the same period. What follows is a brief analysis of regional employment and production projections according to economic sector.

Topography

The Ha'il region's topography has determined the type of settlement and agricultural development there. The region covers 113,000 square kilometers, approximately 6 percent of the Kingdom's total area. However, close to 50 percent of the region cannot be developed because of numerous natural obstacles. In the north is the Great Nafud Desert, which covers 40,000 square kilometers of Ha'il's area. In the south and south-west lies the Khaybar volcanic plain, an arid, stony region composed of volcanic deposits. The remaining parts, including Jabal Aja, Jabal Salmi, and other mountainous and stony areas, restrict settlement and agricultural development.

Geologic Features and Water Resources

The region is situated on the northern rim of the Arab plate, a geological formation more than 400 million years old which extends over vast areas of

the Kingdom. Water is scarce on the Arab plate, and is found only in shallow clay strata which depend on rainfall for replenishment. In any case, however, the region has important sedimentary formations which contain vast amounts of water held in rocks. Such formations include Ram, Umm al-Sahm, and the sandy Hajarah al-Saqq formations on the western edge of the region, as well as the sandy Tabuk area north of Ha'il City on the edge of the Great Nafud. The water in these water-bearing strata is being used for the region's rapid agricultural expansion.

Increased expansion of the Ha'il region's agricultural basis depends largely on the water available from these strata. Studies are now under way to determine how much water is stored in these strata and how much longer it can be pumped out at present or increased rates.

Mineral Resources

Studies of the region's mineral resources are making good progress. So far, the presence of 16 different minerals has been ascertained, including silver, gold, copper, iron, lead, thorium, zinc, zirconium, uranium, chrome, nickel, tungsten and tin. Discovery of five of these deposits involved experimental drilling, and one of them is expected to exist in huge commercial quantities, thus calling for economic feasibility studies. The region also has vast deposits of industrial minerals and decorative and building-grade stone. In any case, however, none of these mineral resources have been extracted on a commercial basis.

The General Regional Plan For Expenditures

Vast general investments will have to be directed towards carrying out the plan's proposals. By 1995, approximately 3 billion Saudi riyals will be needed for expenditures on public services, 2.1 billion riyals for public utilities, and 2.8 billion riyals for roads; thus total investments of 7.9 billion riyals will be required. Roads will receive about 38 percent of all expenditures, while health services and water projects will receive about 14 percent of the total. The Communications Ministry will provide about 20 percent of the total required investments, while the Municipal and Rural Affairs Ministry will provide about 40 percent of the total.

The stages of expenditures on development projects must coincide with the anticipated stages of development as envisaged by the regional plan.

Table 1. Stages In the Regional Expenditure Plan

National Development Plan	Proposed Expenditures In Billions of Riyals	Percentage of Total Expenditures
1980-81 to 1984-85	0.8	10
1984-85 to 1989-90	4.1	52
1989-90 to 1995	3.0	38

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CSO: 4404/513

UNITED ARAB EMIRATES

DUBAYY TIES WITH IRAN DETAILED

London MIDDLE EASTERN ECONOMIC REVIEW in English 30 Aug-5 Sep 86 pp 42-43

[Article by Robin Allen]

[Text] THE Iranian government's campaign to boost non-oil exports and tap the dollars held by Iranian nationals resident on the Arabian side of the Gulf has re-emphasised the importance of the UAE, and especially Dubai, as a trade centre (MEED 2:8:86: 26:7:86; 19:7:86, page 4). But the recent escalation of the Gulf war and Iranian counter-attacks on Gulf shipping near the UAE coast could jeopardise Tehran's plans to increase trade through Dubai.

In May 1986, the UAE was exempted when Lloyd's of London increased the premium for hull war risk insurance by 50 per cent. This exemption is still in force, but in July the General Council of British Shipping extended the Gulf war zone to include Dubai and Sharjah. The decision followed a spate of air attacks by both combatants in the war on merchant shipping in the region. In early August, insurance on oil cargoes for all Gulf ports south of and including Jubail was raised from 0.05 per cent to 0.125 per cent. There have been more attacks — 68 — on Gulf shipping up to 27 August 1986 than in all of 1985, when 44 vessels were hit by both sides.

On 18 August, Iranian aircraft launched a missile attack on the Liberian-registered 230,683-dwt tanker Akarita as it waited to load oil at the Fateh field off Dubai. The strike was the closest to Dubai to have been carried out so far in the war. Had the tanker been hit as it loaded, both the terminal and the underwater storage tank would have been threatened.

The UAE Defence Minister, Shaikh Mohammad Bin Rashid al-Maktoum, subsequently summoned Iran's ambassador to the UAE, Mostafa Foumani al-Haeri. No

official statement about the meeting was made, but it is generally assumed that Al-Haeri was reminded of the damage to bilateral relations that could occur if attacks continued within UAE waters.

The relationship between the two countries has not had an entirely smooth history. In June 1984, an Iranian patrol boat arrested a Sharjah-based site survey ship near the Iranian-held Abu Musa islands. The islands were within the Sharjah/Iran protocol area (MEED 10:8:84). But overall, the UAE — particularly Dubai — has maintained a working relationship with Iran.

In 1985, Iranian exports to or through Dubai more than doubled, to Dh 247.5 million (\$67.4 million), from Dh 118 million the year before (see table). Dubai re-exported goods to Iran in 1985 worth Dh 614.6 million. This figure, although up on 1984, is still only half the level reached in 1980, when Dh 1,278 million worth of goods were re-exported. That year, volumes were boosted by the US trade embargo and by Iran's wealth of foreign exchange, which meant that import permits were freely issued. Two-way trade increased to about Dh 990 million in 1985, from about Dh 740 million in 1984.

Unofficial trade

But official statistics do not tell the whole story. In April 1986, an official from Iran's Export Promotion Centre attending an Iranian trade fair in Dubai is reported to have acknowledged that unofficial trade turnover far exceeded the official figures. Furthermore, he said, Iran intended to put a stop to it. But this is easier said than done. "Smuggling (into Iran) is a big item but one on

which no official comment can be made," one Dubai official notes. In Dubai, such trade would be regarded as legitimate re-exporting — what happens outside UAE waters is not Dubai's concern.

Iran may have reservations about Dubai's free market system, but Dubai business people reckon the emirate is crucial to Iran's export drive. "Dubai plays the role of Hongkong to Iran's China," says one Dubai-based Iranian businessman who has strong trading links with Iran. Several factors support his view — the Dubai Iranian trade fair attracted more than 240 participants from Iran; the previous fair, in Sharjah, earned its Iranian exhibitors more than Dh 75 million.

The UAE is host to about 100,000 resident Iranian expatriates — 70,000-80,000 of them are reckoned to live in Dubai. Around 20,000 live in Sharjah; the rest in Abu Dhabi. "In the Gulf region, the ties between Iran and the UAE are the best," ambassador Al-Haeri said recently. "This state knows and understands the Islamic Republic better than its colleagues."

There is a weekly car and passenger ferry service from Sharjah to Bandar Abbas. But Dubai is the only emirate to have regular Iran Air passenger flights to Iran — there are six flights a week to Tehran, five to Bandar Abbas and six to Shiraz. Imam Khomeini's personal representative in the UAE lives in Dubai, and it is only there that a market exists for Iranian rials.

But some Dubai business people have their reservations about the China/Hongkong analogy. They say that there is no similar degree of co-operation, control or identity of interest between the Iranian community in Dubai and the government in Tehran.

Trade rumours

Trade with and through Dubai is subject to vagaries and fluctuations. Even Iranians do not know what the import duties are. "They just pay what Iranian customs tell them they have to pay on an ad hoc basis," one Dubai source says. The Dubai merchant and Iranian expatriate communities periodically buzz with rumours of restrictions. These are often based on verbal announcements from Tehran which are open to different interpretations because Iran's consulate cannot or does not confirm their accuracy.

Dhow captains often relay news of changes to Iran's import quotas. The private sector then rushes to send home

goods while the system is still open. "There is no reliable information," says one Dubai Creek businessman. "You only feel when changes are pending. Iran issues laws, but only for a limited period. Quotas have been known to change every three or six months, even though there is no documentary evidence."

But broadly speaking, Iranian business with Dubai is dominated by three essentials. These are the Iranian government's drive to maximise non-oil exports; its need to conserve foreign exchange by confining imports to essentials — cutting out the Dubai merchant community's middleman role — and the need to tap every cent of overseas Iranians' dollar holdings. Hanging over everything is the lengthening shadow of the Gulf war and the constant decline — on the free market at least — of the rial from about \$1 = IR 120 in 1980/81 to its present level of about \$1 = IR 750.

Dubai, trade with Iran, 1983-85
(Dh million)

	1985	1984	1983
Imports, of which:	247.5	118.0	192.0
Food and live animals	231.6	88.6	34.9
Mineral fuels and lubricants	0.0	12.0	135.2
Total exports,	29.1	68.3	166.7
of which			
Manufactured goods	29.0	68.2	166.0
Total re-exports,	614.6	555.5	623.7
of which			
Food and live animals	155.9	100.6	72.8
Machinery and transport equipment	268.3	246.9	261.4
Classified manufactured goods	54.4	115.6	212.5
Miscellaneous manufactured goods	44.4	51.5	22.9
Other	48.8	12.4	5.3

Exchange rate: \$1 = Dh 3.673

Source: Dubai Chamber of Commerce & Industry, Ports & Customs, Central Accounts Section, Statistics Office

compared with the official rate of roughly \$1 = IR 76.

Dubai traders say Tehran has completely liberalised the export of fresh fruit in order to achieve its first essential of increasing non-oil exports. In 1985, fresh fruit accounted for the bulk of Iranian exports to Dubai. "Legally you can keep the foreign exchange," says one businessman, "but traders buy other

goods here with the money earned, put them back on the dhows and sell them in Iran at open market prices. What goes back to Iran is anything for which there is a premium — spare parts for machinery, rice, tea, and so on — and traders then use the rials earned to buy more fruit for export.

"So it is a constant circle, and although prices for fresh fruit in Dubai are less than those prevailing in Iran, this is more than compensated (for) by the eight or ninefold premium on the foreign exchange earned by the trader, and this foreign exchange can be used for further purchases in Iran or held for other purposes."

Price controls

Dubai does not charge duty on food or on any item needed for a mosque. There are no export taxes from Dubai, and only a standard 4 per cent import duty on other goods. Iran imposes price controls on non-fresh fruit exports such as pistachios and dried fruit, and minerals. Foreign exchange earned from these items is repatriated by the trader when he re-exports goods authorised or needed by the Iranian government. Alternatively, the trader may sell his title to re-export for a premium rate of approximately £1 = IR 400. Iran recently announced a list of 17 categories of items which can be imported using these export dollars. There are two ports in Dubai for dhow cargoes: Hamriya, which takes 10 dhows a day, and Dubai Creek, which takes six to eight.

In an attempt to confine imports to essentials and to cut out the Dubai middlemen, Iran temporarily suspended the quota system at the end of June. It has recently reintroduced it. The quota system allows the Iranian expatriate resident in the Gulf to buy goods worth Dh 50,000 — consisting of one item for himself and one to sell on the free market. This entitlement is for every year worked in the Gulf, up to a maximum allowance of four years' worth. As many Iranian labourers do not have this amount of money, there is an active secondary market in the Dubai merchant community in the certificates that Iranian consulates issue to certify Iranians' bona fide working status.

This method of satisfying the demand for consumer products in the Iranian domestic market became less and less attractive for expatriate Iranians and prospective buyers in Iran as the dollar premium mounted against the rial. There were also long delays at Iranian customs, and many Iranians found they were better off if they sold their foreign currency to moneychangers.

Neither the two Iranian banks in Dubai — Bank Melli Iran and Bank Saderat Iran — nor the local UAE banks play a role in quota system purchases; these are monopolised by the traders. The two Iranian banks operate primarily on behalf of the Iranian government. They frequently issue usance letters of credit, which one Dubai merchant describes as "a form of post-dated cheque with Souk al-Manakh overtones."

Usance letters of credit are issued for periods of between six months and one year and are a method of deferred payment that the government uses to buy essentials for Iranian industries. They are often employed in barter deals. The method is a growing, but not necessarily a profitable, way of doing business. "In Iran the public sector runs alongside the private sector, but the latter can import only against exports or through foreign currency earned from exports," one banker says. "This is not a substantial amount."

The private-sector market on the Arabian side of the Gulf has been further hit by the increase in import duties on goods coming into Iran worth more than IR 50,000 (Dh 2,400/\$655 — official rates of exchange). At the same time, the travel allowance for Iranians going abroad has been cancelled. Imports of cars have been banned since 1980, and the import of pick-ups, except through Iranian government-sponsored trade companies, has also been halted.

Duties now levied on consumer products are heavy. They include 970 per cent on non-portable radios and cassette-players and 370 per cent on portables. Glassware is subject to duty of 585 per cent; other items are china dinner sets (570 per cent); artificial fibres (630 per cent); washing machines (375 per cent), and refrigerators and freezers (225 per cent). Black and white television sets incur 170 per cent duty, and household irons and hairdriers 175 per cent. Before May 1986, the rates ranged between 50 and 300 per cent.

Dual role

There is now an alternative system of buying Iranian products open to expatriates. It is a system that has the dual role of satisfying the need of Iranian industry to earn hard currency and meeting private-sector demand in Iran. Residents in Arab Gulf countries can jump the queue at home by buying Iranian-made household goods for delivery in Iran.

Payment is made partly in dollars and partly in rials at the open market rate. In theory, an Iranian expatriate would pay less

for domestic products in this manner than if he were to buy similar goods made in any of the Gulf states. The system has the added advantage that it builds a much-needed foreign currency base for Iranian factories.

Tehran has set up companies specifically to tap the foreign exchange holdings of expatriate Iranians. There are a handful in Dubai, but the latest example is Kuwait-based Al-Masader, owned 49 per cent by Bank Saderat and 51 per cent by the local Behbehani Group. Al-Masader has huge stocks of Renault, Nissan and Mercedes pick-ups and Yamaha motor-cycles. Bank Saderat will allocate quotas for any Gulf-based Iranian against mixed payment in foreign exchange and Iranian rials. Delivery in Iran is theoretically immediate. This compares with an estimated delay of three to five years for cars made by the Iranian National Car Factory. But the prices offered to Iranian expatriates have yet to make the offshore car market attractive.

Despite Iran's efforts to exploit Dubai for trading purposes, Dubai officials reckon these will never be more than a secondary consideration — they are subordinated to Iran's perceived war priorities. "And there is nothing the Dubai and Iranian trading community can say that will make any difference," says one.

/13104

CSO: 4400/289

UNITED ARAB EMIRATES

PRICES OF REFINED CRUDE PRODUCTS LIKELY TO DROP

Dubayy KHALEEJ TIMES in English 12 Sep 86 p 1

[Article by Ahmed Hassan]

[Text]

PETROL prices are expected to be reduced as a result of the recent fall in crude prices. It is likely that prices of all refined products of petroleum will also undergo a sizeable cut in the near future.

The Gulf states have already been reducing the export price of several refinery products for overseas clients.

Reliable sources in the Ministry of Petroleum and Mineral Resources indicate that most exports of refined petroleum products of the Gulf states have recently undergone a sharp decrease, following the weakening of the crude oil prices.

The Abu Dhabi National Oil Company for Distribution (Adnoc-Fod) has also recently reduced the price of diesel from Dh3.10 to 2.80 per gallon. Earlier, the Emirates General Petroleum Corporation (EGPC) made an announcement to the same effect, reducing the price of diesel oil. Diesel prices in the Northern Emirates were brought down from Dh2.95 to 2.60 per gallon.

It is also learnt that a further reduction in diesel prices is likely along with a reduction in the price of petrol. Petrol prices were cut earlier this year. The price of 'Super' was reduced from Dh4.90 to 4.50 a gallon and that of 'Regular' from Dh4.50 to 4.20 a gallon. Concurrently, the price of diesel was reduced from Dh4.20 to 3.70 per gallon. Representatives of various Gulf refineries are likely to meet soon to discuss possible coordination of prices. A similar meeting was held in Dubai last April to sort out prices and production problems. Refined petroleum products are being sold at different prices in the Gulf states. The general manager of Adnoc-Fod, Juma Dharif, had complained that some of the neighbouring AGCC states are levying a tariff on Adnoc products. He feels this action is contrary to the AGCC's economic agreement, which calls for free trade among the member states.

The prices of liquefied natural gas have also been reduced recently. But there is a variation in its price in different countries. The two refineries in the UAE at Ruwais and Umm Al Nar are known to be supplying the best quality of petroleum products in the region.

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CSO: 4400/289

YEMEN ARAB REPUBLIC

PROSPECTS FOR OIL PRODUCTION DISCUSSED

Abu Dhabi AL-ITTIHAD in Arabic 22 Jun 86 p 17

[Article: "Three Scenarios Anticipated for Oil Effects on Yemen"]

[Text] About 2 months ago, 'Ali 'Abd-al-Salih, president of the Yemen Arab Republic, opened the Ma'rab Kalan refinery. Yemen thus entered the oil era. But Yemen must wait at least 2 years before it can join the oil-exporting state club. The celebration was limited to attendance by United States Vice President George Bush and a limited number of diplomats transported by helicopter to the oil well site. Foreign journalists were forbidden entrance to the site.

There is an atmosphere of total secrecy surrounding the oil question in the Yemen Arab Republic. Officials in the oil industry and the high council of oil are silent.

Although the Yemeni president had given an estimate of 300 million barrels for the 'Lif oil reserve, oil experts believe that the true reserve of the well exceeds four times that number.

MIDDLE EAST magazine published a report on the discovery of oil in Yemen and the anticipated scenarios that would affect Yemen's society, its economy, and its financial policies.

The magazine reported that out of 17 oil wells drilled, at least 15 of them averaged 9,000 to 11,000 barrels a day of super-type oil, which can be compared with Nigerian light oil. In addition to that, the Yemeni company brought two more oil rigs from Saudi Arabia to begin excavation around al-Hazem in the province of al-Jouf where expectations are high.

In the first stage, the oil well at 'Lif will feed a small refinery in Ma'rab, which has a capacity of 10,000 barrels a day, that is, about one-third of the country's refined-oil needs. The cost of this refinery amounts to \$12.5 million for the basic structure, \$20 million to cover engineering work, and \$50 million overall as announced by the general director of planning in the Oil Ministry.

Another refinery will be established soon, either in al-Salif Port on the Red Sea or south of Sana, with greater productive capacity amounting to

40,000 barrels a day, which can provide all the country's needs. When these two refineries are built, they will provide the country \$25 million a month in hard cash which is currently spent on the purchase of refined-oil products.

These investments appear simple in comparison with the cost of a pipeline from Ma'rab to al-Salif, a distance of about 440 km with elevations fluctuating between approximately 900 meters in the plains of Ma'rab and 2,800 meters in the highest regions. About half the length of the pipeline must be dug in the midst of the rocky Yemeni mountains with dynamite. According to a reliable source, pipeline stringing costs \$300 million and the building and development of the oil field will require the same amount.

The companies have 3 months to present their bids for building the pipeline. Officially the decision belongs to the Yemeni oil-excavating company, but unofficially, according to an expert, "the decision will be made on the 25th floor of the Exxon offices in Houston, but more precisely in the White House.

"Last December Exxon bought 49 percent of the Yemeni company's stocks for an amount of between \$350 to \$400 million." The expert added: "Developing oil production for Yemen will be an American issue."

Exporting in 1988

As long as the party authorized to supervise the building of the oil pipeline for the Yemeni company is a Gulf state, and as long as this state wishes the same company to follow up on the work from the well to the port, the number of companies known to be qualified to perform this project is fewer than the number of fingers on the hand. No matter which party is the one which builds the line, it has become clear that Exxon will finance it, or else, as an official in the American embassy to the Yemen Arab Republic said: "The Yemeni company will be forced to request help from one of the banks, thereby saving at least 6 months of negotiations and consultations."

Indeed, the Japanese Mitsubishi company has been contracted to provide Yemen 78,000 tons of pure-iron, rustproof pipes. The first load of this agreement will arrive in al-Hadidah port this summer. Construction will last more than 14 months, which is why it is probable that the exportation of raw oil will start at the beginning of 1988. A number of experts believe that this probability is excessively optimistic and they point to a part of the line that will cut through the most dangerous and provocative tribal regions.

Although the conditions of the contract between Sana and the Yemeni oil-producing company have remained secret and unrevealed up to now, it seems, according to informed sources, that the company will obtain a percentage of oil exports to cover its expenses. Following that, export revenues will be shared between the government (51 percent) and the Yemeni company (49 percent), which will transfer 49 percent of its share to Exxon. According to informed sources in Exxon, its net share will amount to 48 million barrels of the confirmed reserve.

Reduction of Transferred Funds

When the oil pipeline begins operation in 1988, expected initial production is 100,000 barrels a day, "although the maximum productive capacity exceeds 4 times this figure" and the government will receive 50,000 barrels a day in addition to taxes imposed on the income of the joint works of the Yemeni company and Exxon. If we suppose the price of a barrel of oil is \$10, government revenue will amount to \$500,000 a day. But if the price of a barrel of oil is \$20, the government's daily revenue will be \$1 million. If Yemeni working abroad, as expected, cut the amount of cash transferred from what it was in the past, the oil revenue will not play any role except to close the gap.

According to official figures, funds transferred in 1983 reached \$1.08 billion.

Three Scenarios

One of the European diplomats in Sana said: "One may imagine three scenarios for the possible change to take place in Yemen as a result of oil production. With an average of 100,000 barrels a day, oil monies will not compensate the reduction in the other incomes of transferred funds and aid from other Gulf states; therefore, the situation will be worse than before.

"With an average of 200,000 barrels a day, oil income will compensate proportionately, more or less, the other income.

"With full production--400,000 barrels a day--the economic situation will change, but not in a radical way, because the country is very heavily populated.

"Thus, it is possible for a person to understand the motive of the government of Sana to de-emphasize the importance of its oil discoveries. Among the reasons which motivate it to do that is that it does not want the return of the Yemeni workers from Saudi Arabia and other Gulf states, which would reduce the amount of transferred funds and increase the size of internal pressures on housing and employment. A third reason the government of Sana follows this policy is that it wants to realize the benefit for at least the 2 coming years of available loans which it obtained from international banks and Arab and international aid agencies which it depended upon in the past as one of the poorest states in the Third World. Some of the creditors have begun re-evaluating their position.

"It is clear that the coming 2 years will witness huge difficulties. The reserves of the Central Bank, which were \$1.4 billion in 1980, have been fully depleted. Since last October, the commercial banks stopped issuing letters of credit relating to imports, which are open for now only for maximum priority or for strategic imports."

In an interview, Dr Muhammad Sa'id al'Attar, deputy prime minister and president of the Central Planning Organization, on the importance of the oil

discovery in the country and the profits expected, said that until now the country's development is the responsibility of foreign financing: Yemeni workers' funds transferred from abroad, and aid and loans which the country receives from international organizations.

Unfortunately, we are now entering a stage in which international cooperation is undesirable. There is a world crisis of an increase in manufacturing prices and decline in raw material prices and a disturbance in the value of the dollar. It is clear that the decline of oil prices will diminish the aid which we have become accustomed to receiving from oil-producing states. Likewise, the Yemeni workers began leaving the kingdom of Saudi Arabia and the size of their transferred funds began to diminish continuously. For these reasons, the discovery of oil will not be totally without benefit.

13035/9365

CSO: 4404/484

AFGHANISTAN

BRIEFS

MILITARY POST REPORTEDLY DESTROYED--Islamabad, Pakistan, Aug. 16 (Dispatches)--Six Afghan soldiers were killed and three Afghan Mujahideen have been martyred in recent clashes, Mujahideen sources said Friday. Six Afghan soldiers were killed in an Aug. 9 Mujahideen attack on an Afghan government military post at Chamkani in Paktia Province, 12 miles (20 kilometers) from the Pakistani border, the Mujahideen sources said. Mujahideen commander Nazar Muhammad led 55 freedom fighters in the attack which destroyed the post and left many injured, according to the sources. The Mujahideen were martyred and 18 injured in a Soviet Air Force bombing on Aug. 12 at Zavar, a Mujahideen stronghold near the Pakistani border, the sources said. Jadran, 36 mile (58 kilometers) southeast of Gardez also was "heavily bombed" said the sources, but did not furnish details about casualties. The Mujahideen are fighting to oust the Communist government in Afghanistan, which is supported by an estimated 120,000 Soviet troops inside the country. The government rarely allows Western reporters to enter Afghanistan, and reports from the country cannot be checked independently. [Text] [Tehran KAYHAN INTERNATIONAL in English 17 Aug 86 p 1] /9365

CSO: 4600/1

IRAN

NON-OIL EXCHANGE AGREEMENT WITH TURKEY ANNOUNCED

Tehran KEYHAN in Persian 14 Aug 86 p 19

[Text] Economic Service—Mustafa Tinaz Tintiz, Turkish Minister of State for Executive affairs, gave an exclusive interview yesterday afternoon to KEYHAN's economic correspondent before his departure from Tehran. He expressed his views on the results of the visit by the Turkish high-level economic delegation to Tehran, the volume of commercial exchanges between the two countries, the reason for the suspension of the project to build an Iran-Turkey pipeline, the 99 percent reduction of Iran's oil exports, the increase of non-petroleum exports, and consultation between the two countries concerning technical-industrial projects in third countries.

KEYHAN: How do you assess the trip of the Turkish high-level delegation to Iran, and what results did you achieve in Tehran?

Turkish Minister of State: Prior to the sharp drop in oil prices, the total volume of commercial exchanges between Iran and Turkey was about three billion dollars, half of which was imports, the other half exports.

After the drop in oil prices, the volume of commercial exchanges between the two countries also dropped sharply. In order to negotiate and solve the problems, economic delegations from the two countries met in Ankara.

The Iranian brothers said that non-petroleum goods should be bought by Turkey. In this regard, at the Ankara meetings both delegations submitted lists of goods that could be exchanged.

We then came to the Islamic Republic of Iran to revise the previously-signed protocol.

Along with me a large delegation of Turkish merchants also came to Tehran, and in this period they held detailed talks and made many contacts with their Iranian counterparts, and arrangements were made for them to buy a significant amount of goods and services from Iran.

I hope that as time goes by both sides will be able to expand their exchanges, and this will be the first item on our agenda.

Non-Economic Pipeline

The second item on our agenda is the construction of the gas and oil pipeline. Based on the information that has been exchanged by the two sides, it appears that there is no possibility of planning an oil pipeline between Iran and Turkey. This conclusion is based on preliminary

information and data. The two sides have agreed to reconsider the information on the oil pipeline, and to have a group of experts from both countries study the economic feasibility of the plan. Of course in my view this pipeline has both economic and strategic value for Iran.

Regarding the gas pipeline, we decided to conduct marketing studies, and this will take a maximum of six months.

Another issue on the agenda is the matter of customs tariffs in the framework of (OKU).

The points I have covered were the framework for negotiations between the Iranian and Turkish delegations. Here I consider it necessary to thank the Iranian delegation, which gave positive views.

99 Percent of Oil Exports

KEYHAN: What sort of future do you see for economic relations between the two countries?

Turkish Minister of State: I expect a new era of relations between the two countries to begin. So far economic relations between Turkey and Iran have been about 99 percent based on oil. This figure is now dropping. Turkey will increase its non-petroleum purchases from Iran. An issue that is likely to arise is the similarity of goods produced in the two countries. Of course I see a very bright future in the area of cooperation between Iran and Turkey. The market volume within both countries is limited, and what we can do in this area is to cooperate in third countries, and we must expand this cooperation.

Non-Petroleum Exchanges

KEYHAN: If oil is eliminated as an Iranian export item, to what extent do you think non-petroleum exchanges between Iran and Turkey will increase?

Turkish Minister of State: If we were to remove oil from the volume of exchange between the two countries, it would now total about 1.6 billion dollars, and this figure includes a series of commitments which have been signed but not yet implemented.

You can therefore see that it is not possible to increase the volume of non-petroleum exchanges immediately. This is not easy. We need time to gradually increase this figure.

My goal as a Turkish government official is to remove obstacles to commerce between the two countries. In Turkey we are making great efforts to reduce the formalities and paperwork that obstruct trade, and we are more successful each day in this effort.

If both sides can remove these obstacles to their trade, I am confident that the volume of trade between the two countries will go very high. Any kind of regulations that we put in our commercial path will sharply reduce the volume of trade.

9310

CSO: 4640/485

IRAN

MINISTER DETAILS TRADE FRAMEWORK WITH TURKEY

Tehran KEYHAN in Persian 14 Aug 86 p 19

[Text] Economic Service—Engineer Behzad Nabavi, Minister of Heavy Industries, who acted as head of the Iranian economic delegation in negotiations with the Turkish economic delegation, gave an interview yesterday afternoon while escorting the Turkish delegation to the Tehran airport in which he discussed the economic negotiations between the two countries.

According to KEYHAN's economic correspondent, Engineer Nabavi began by saying: One of the aims of the Turkish economic delegation's visit to Tehran was to follow up on the agreement of mutual understanding signed previously between the two countries. It was essentially an amendment signed by both sides two months ago in Turkey.

The second objective was to hold talks on building a gas and oil pipeline and on cooperation between the two countries in this area.

The first part of this work was successful, but since commercial exchanges between the two countries have undergone changes in recent months and since non-petroleum exports have played a major role in these exchanges, repeated trips and constant contacts were necessary for these changes to become established and be carried out.

Naturally most of the Turkish delegation's time during these few days was spent in long and detailed negotiations to ascertain some of Iran's export contracts, and at the same time some goods were purchased from Turkey and there was mutual industrial and economic cooperation.

The Minister of Heavy Industries also said: Fortunately during this period our brothers were able to have productive talks with their Turkish counterparts. A great many of the general agreements made in Turkey in the area of non-petroleum exports were written into contracts and the documents were even issued.

We hope that these trips will continue at a high level as before, and that they can include the previously signed memorandum.

The chief of the Iranian economic delegation then said: Detailed talks were also held concerning the oil and gas pipeline between Iranian and Turkish oil officials, and very useful letters of agreement were signed by both sides.

Concerning the oil pipeline, plans were made for technical and specialist studies to be made and announced soon to determine whether the plan is economically feasible or not.

Concerning the gas pipeline, both sides agreed to obtain help from large international specialist companies in finding markets for exporting Iran's gas to Europe, and we hope that through this market research we will be able to export gas to Europe by building a gas pipeline from Iran through Turkey.

PIPELINE TO TURKEY RECEIVES FINAL CONSIDERATION

Tehran KEYHAN in Persian 13 Aug 86 p 18

[Text] Based on the request of the Turkish economic delegation, final report of the economic study on the construction of the pipeline between Iran and Turkey, an agreement for which was signed in Tir 1365 [June-July 1986], will be reconsidered.

KEYHAN's economic correspondent reports that Mr Mustafa Tinaz Titiz, Turkish Minister of State for Executive Affairs, who is in Tehran as chief of a 128-person commercial and industrial organization, met and spoke yesterday afternoon (Tuesday) with Mr Aqazadeh, Minister of Petroleum of the Islamic Republic of Iran.

During this meeting discussions and exchanges of views were held concerning the results of the work of the expert committee which has been intensively studying proposed plans over the last three days.

During this meeting it was decided that the study committee would prepare an economic report on the project to build a natural gas pipeline to Turkey with connections to Europe, in light of the trend for gas prices and the needs of the countries.

According to a spokesman from the Ministry of Petroleum, it was also decided that this committee, which is operated jointly by Turkish and Iranian delegations, would conduct the necessary studies within the next three months concerning the level of domestic gas consumption in Turkey and ways to market it and then announce the results.

According to agreements already made and on the basis of the request from the Turkish delegation in the committee to study the construction of the pipeline, it was also decided that the Turkish delegation would reconsider the plans and accounting procedures proposed in the final report of the economic study for this pipeline, which was signed on 24 Tir 1365 [15 July 1986].

The Turkish delegation has also been charged with putting changes in its proposals in writing by 9 Shahrivar 1365 [31 Aug 1986] and sending them to the Iranian side.

According to this report, at the end of yesterday's talks it was decided that the Iranian expert committee would go to Turkey to make a comprehensive study of the achievements of joint scientific and technical cooperation in the areas of digging and exploration.

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CSO: 4640/484

IRAN

EDITORIAL COMMENTS ON U.S. TECHNOLOGICAL ASSISTANCE TO IRAQ

Tehran KEYHAN in Persian 14 Aug 86 p 2

[Text] The attack and aggression by the Iraqi army led by Saddam Husayn against the Islamic Republic of Iran has been deemed a catastrophic historic mistake and a strategic error by both the international research institutions and in the analyses of the world's political experts, not only today as the war is in the closing days of its sixth year, but ever since the second year of the war when the Iranian victories began. It was a mistake which, because of its depth and severity, will require a punishment of death and destruction when its gravity is acknowledged. All of the viciousness of Saddam and his supporters is for this very reason.

At the present time also, both Saddam Husayn, his faithful Arab friends and his Western and American supporters, following the same mistaken initial mistaken measures begun by Iraq and the others made out of raw greed, are making two major mistakes with regard to the Iran-Iraq war.

The first analytical mistake and error in assessment by them is that they do not wish to believe that Iran is in the dominant and superior position politically and strategically, and in terms of manpower, combat capability, spiritual motivation and warlike determination. It is much stronger than Iraq, and it is no less capable than Iraq of launching rockets or attacking economic installations, with the distinction that humanitarian and ethical factors limit Iran's operations, while the Ba'thist Iraqi regime has never had any concern or restraint due to these factors.

Saddam Husayn and his collaborators have been eyewitnesses to repeated defeats for the weakened Iraqi army, but they have always tried to conceal the extent of Iran's victories, to justify themselves and their positions, to console themselves with the passage of time and the firing of their last rounds, and to hope for changes or deviations in the positions of Iran's national leadership and officials.

A look at the reactions and approaches taken by the international news agencies, who are supposed to reflect the reality of events and developments throughout the world, shows how the West and all those who will be hurt by a victory for the Islamic Republic of Iran are trying to convince themselves and others first that Iran has not achieved a striking and outstanding victory, and second that the liberated areas occupied by Iran are not particularly significant and fundamentally important. Third, they declare that Iraq can quickly retake these areas, and they make the utmost effort to eclipse Iran's victory with some other event in order to thwart the torrent of victorious psychological propaganda from our Muslim and revolutionary combatants.

It may now clearly be stated that especially since Iran's victories at Faw and Mehran, America and Iraq's Arab supporters are trying to breathe life into Saddam and his army with the oil and modern technology dollars which have been made available to his air force, and to encourage and

hearten him to continue the struggle. They are assuredly aware of the extreme dissipation and fatigue of the Ba'thist army and its commanders, of the disgrace of its infantry, and of the impotence of the Iraqi army's combat forces, and they are surely cognizant of the combat and engineering power of our military men. The reason, however, that they continue to refuse to acknowledge or accept the reality that Iran can continue to win additional victories is their intellectual and analytical reliance on their foreign exchange reserves and on their winning technology. They have made these reserves and this technology available to the Ba'thist regime out of fear of a decisive Iranian victory, and to prevent an Iraqi defeat.

The second mistake currently being made by the West began precisely when Saddam Husayn's Arab allies and supporters attempted to help him and declared their inability to do so. Attacking Iran's industrial, economic and oil installations along with the sharp reduction of oil prices are the chief elements of the West's political, economic, and military strategy against Iran, which is now evidently being carried out by the Ba'thist regime of Iraq. Since Iraq's defeat at Faw we have seen a new stage in the attack on Iran's industrial and petroleum installations which has gradually intensified. Iran's response in kind, and even its Tuesday dawn missile attack this week on the al-Dawrah refinery in Baghdad has not prevented Iraq's attacks, because not only do they believe that Iran will not tolerate the economic and social losses and setbacks of these attacks, but it must be said that they have no other choice or way open to weaken Iran's military capability. This is why immediately after Iran's effective missile strike on Iraq's al-Dawrah refinery, the attacks on Iran's petroleum installations widened with the help of new technology donated by America, and Iraqi aircraft are approaching areas which they could not previously attack. These are operations that could fan the flames of the war in the Persian Gulf and bring it into a new stage, one that will certainly not be in the interest of America.

The war has now entered a stage in which there are two ways and two possibilities open to America. It can either increase its open intervention or witness the fall of the dictatorship of Saddam's Husayn's Ba'thist regime and following that the decline of America's authority and dominion in the Persian Gulf. Apparently, according to witnesses and indications, America has chosen the difficult first path, as if it is trying to tie its own fate with that of Saddam Husayn.

The Iraqi regime and its Arab allies have reached a dead end and have extended their hand in supplication to America. America is still trying to help Iraq indirectly, because although America does not recognize the extent of the danger to it in a direct conflict with Iran, and the events of Lebanon should have been so telling that it would not easily be drawn into this dangerous abyss, America is making the small error of attempting to control and guide the war from a distance. It will be making a big mistake when it draws nearer to the flames. Attacking Iran's petroleum installations, disregarding the religious, revolutionary, and national conditions and writings prevailing in Iran, will produce the opposite result, and one arising from the enemy's foolishness and ignorance and one that is a gift for Islamic and revolutionary Iran.

Turning these latest enemy attacks into a cutting sword against America and into a means of achieving true economic independence will require revolutionary self-denial and basic and more serious determination on the part of officials, and high resolution and determination by the people, and we will discuss that.

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CSO: 4640/485

IRAN

EDITORIAL COMMENTS ON FOREIGN BIAS IN COVERAGE OF GULF WAR

Tehran KEYHAN in Persian 14 Aug 86 pp 3,2

[Text] Tehran—ISLAMIC REPUBLIC NEWS AGENCY—Following Iran's rocket attack on Baghdad's al-Dawrah Refinery, the foreign radio stations paid little attention; instead they focused on the Iraqi regime's air attacks on three tankers at the Sirri oil terminal.

These radio stations, which have responded to the Ba'thist regime's illegal attacks on worker centers and non-military targets by saying that Iran is evidently unable to counterattack, have reacted to the clear reality of Iran's effective attack with silence, scattered remarks, and efforts to eclipse the main issue.

RADIO FRANCE INTERNATIONAL was one of the first stations to respond. In its French language program it said: Last night (Monday evening) a terrifying sound was heard in Baghdad. However, this station did not broadcast news on this in its subsequent programs.

The BBC, in its Wednesday morning English language broadcast, dealt with the Baghdad missile strike in about the same tone, and was then silent on the subject until the evening broadcasts.

Among the regional stations, RADIO DUBAY, in its Wednesday morning English language broadcast, treated the news with alarm, but this station also immediately lapsed into silence. The Western radio stations, however, withheld all war news except the Ba'thist army's air attacks on the three oil tankers at Sirri Island.

BRITISH STATE RADIO, in its Wednesday evening broadcast, while focusing on the news of the tankers at Sirri, made a passing reference to the Baghdad rocket strike and considered the news unreliable.

After announcing the news of the Iraqi air attack on Sirri Island, this radio station said: This attack took place hours after Iran announced that it had hit a refinery near Baghdad with a rocket. Baghdad residents said they had heard a loud explosion. In so saying BRITISH RADIO explicitly confirmed Iraq's attack on Sirri Island while casting an aura of doubt over the news of Iran's rocket attack.

THE VOICE OF AMERICA was even more brief in its coverage of the Islamic republic's rocket strike.

In its first news program, this station presented detailed coverage of the Iraqi attack of Sirri Island, and in a passing comment said:

Iran reported previously that an Iranian surface-to-surface missile had hit a Baghdad oil refinery, while Iraq reported only minor damage.

Other Western radio stations followed about the same line, but there were several sensitive points in the overall content of all of these broadcasts.

1 - In providing coverage of both events while emphasizing the coverage pertaining to Iraq's air attack on the oil tankers at Sirri Island, all of the radio stations actually attempted to reduce the importance of Iran's rocket attack.

2 - By noting in the news broadcasts that Iran has previously stated that Sirri Island is impossible to attack, they have portrayed the Iraqi attack as a major military step.

3 - It has been confirmed that Iraq's attack on Sirri Island was made possible by the use of a French weapon. RADIO FRANCE made especially extensive use of this.

With the recognition of the routine propaganda methods in use by the foreign radio stations, unbiased and truthful public opinion will ask, why do the foreign radio stations try to portray the damage done to the Iraqi regime as the result of the Islamic republic's recent rocket attack as slight, as they have done in the past? Does this itself not demonstrate the success of this attack?

It is interesting that throughout all of Iraq's recent acts of wickedness, while reporting the vicious actions of the Ba'thist regime the radio stations have studied the question of whether the Islamic Republic of Iran would respond in kind or not. When the Islamic Republic of Iran, having been under Iraqi pressure and having gathered sufficient proof, hit a refinery in Baghdad with a rocket at night while it was empty of personnel, both out of necessity and in order to bring the leaders of the Ba'thist regime to their senses, they were either silent or they attempt to ignore the reality and extent of the event.

It is interesting that the foreign radio stations, including THE VOICE OF AMERICA, the mouthpiece for White House policy and the CIA, take positions required by the imperialist strategy of the rulers of that country and always try to gain credibility, however slight, with their audience. Not for the first time, but one of many times, disregarding the bad consequences for their credibility that will result from ignoring a reality, they broadcast one news item in place of another. Even disregarding the most elementary principle of journalism, which is taking into consideration the importance of a news item in determining its broadcast priority, they position an important item behind one of little importance.

If a listener to such radio stations imagines that the managers of THE VOICE OF AMERICA or other radio stations are aware of the principles of journalism and the assignment of priorities to a news item, he will at least ask if the minimizing of the news of the Islamic republic's rocket attack on Baghdad isn't the expression of a bias against the Islamic Republic of Iran, since these radio stations will pay any price, even the price of reducing their reducing their credibility and influence, to adopt such positions.

Another noteworthy point is that the VOICE OF AMERICA always ends its reports on changes in the imposed war which tend to reveal the superiority of the Islamic Republic of Iran with the sentence 'this cannot be confirmed by independent sources', in order to reduce their effects.

On Tuesday evening, however, this same radio station had no confirmation of the truth of the Iraqi regime's claims, yet it did not use that sentence to which its listeners had become accustomed.

In order to justify the use of the sentence 'this cannot be confirmed by independent sources', THE VOICE OF AMERICA once said that since Iran and Iraq do not permit foreign news correspondents to visit the area of the news event, the use of this sentence at the end of news items shows the neutrality of THE VOICE OF AMERICA.

Unbiased listeners to THE VOICE OF AMERICA ask, did foreign correspondents visit the site of the Iraqi air attacks to verify the truth of Iraq's claims for the managers of the CIA's propaganda organization, removing the need to say 'this cannot be confirmed by independent sources', or was this VOICE OF AMERICA correspondent at the side of the Ba'thist Iraqi pilot?

Another question is, is it true that despite the confirmation of the Islamic Republic of Iran's rocket attack on Baghdad by foreign sources who were forced to acknowledge it, and even after the Iraqi regime's official acknowledgement, this news item is unconfirmed?

After ignoring their historic mission to convey reality and truth to their listeners, who see the truth and who hear from the media of the Islamic republic that they have followed the wrong path, do the foreign radio stations still believe that their credibility remains with the public?

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CSO: 4640/483

IRAN

HEAVY INDUSTRIES MINISTRY ON EXPORT POLICIES, RELATED ISSUES

Tehran KEYHAN in Persian 13 Aug 86 p 18

[Text] Economic Service—New industrial export policies, the signing of industrial contracts, programs to prevent the closure of industrial units and factories, the foreign exchange situation in the Ministry of Industries, and the level of exports of industrial products were discussed at a press conference by Abu al-Qasem Jamshidi, Deputy Minister of Industry for Economics and Commerce.

KEYHAN's economic correspondent reports that Jamshidi discussed the international plot to reduce the price of oil and reduce the government's foreign exchange income. He said: Despite existing difficulties, we prepared new plans for creating and increasing industrial exports, and our goal is to meet the foreign exchange needs of more than 7,000 units in the Ministry of Industries and to bring the units to rely on industrial exports.

For this reason this year the export of 62 non-basic, non-strategic and non-rationed products was deregulated this year. Of course we did obtain authorization to export surpluses of items such as oil, sugar cubes and sugar, detergent and soap.

It is necessary to note that in the first four months of 1365 [21 March – 22 July 1986] industrial exports did not grow very much over the same period the previous year. The reason was the international plot to decrease the price of oil. During this period only three percent of the country's exports were industrial products.

He added: Fortunately, we produce some goods with high international standards of quality, such as cement, color televisions, water coolers, and several other kinds of goods, and we can obtain suitable amounts of foreign exchange by increasing these kinds of exports.

Increase of Industrial Exports

He then discussed new plans in the Ministry of Industries to increase industrial exports. He said: Among the plans prepared is one to estimate the amount of foreign exchange for production products, and we were able to obtain authorization from the Supreme Export Council to export industrial products with a positive or even even foreign exchange balance.

Another plan is to consider an agreement in principle for investment in packaging industries such as fruit and dried fruits, even if these units are within the restricted zone within 120 kilometers of Tehran.

Another plan is to create a pricing committee. We have worked on this for two months. We have filed the price of products with the Central Export Distribution Organization based on the amount of foreign exchange they earn, so that applicants may obtain the prices they want as quickly as possible. Meanwhile for other products which have not been priced, forms have been prepared and we are required to answer an applicant within 48 hours.

To expand industrial production, we have also made use of ten to 12 million dollars in imprest foreign exchange, which was 40 million dollars last year and came from the Prime Minister's budget.

Likewise in the current year, in view of Article Nine of the National Foreign Exchange Law and the options of the Supreme Export Council, so far ten million dollars have been placed at the disposal of the Ministry of Industries, 6.5 million dollars of which was made available to the exporters of industrial goods.

Likewise, in the first four months of 1365 [21 March - 22 July 1986] and in the last three months of 1364 [22 Dec 1985 - 20 March 1986] we consumed about 18.5 million dollars in foreign exchange to expand industrial exports.

New Export Contracts

Jamshidi then discussed the signing of new industrial export contracts. He said: There is a recognized international technique known as the 'buy back' method, where the foreign company provides the raw materials and the producer uses them and sells products to that company. The Industrial Development Organization (UNIDO) has now signed an agreement using this method with China. We are now talking with this organization in order to have an industrial production contract using this international method.

With Iran's announcement of its readiness, so far a number of reputable and large international companies have expressed an interest in cooperating with Iran. Our only problem in this regard, however, is the executive guarantee of the contracts. We will therefore send the details of this plan to the Council of Ministers in order to remove this problem as well, and we will establish the necessary security for foreign parties by creating an export guarantee fund.

Talks have been held in this connection with customs authorities, insurance companies, banks, and some organizations so we may export without relying on oil using guarantees for exported products.

In this regard, the Democratic Republic of Germany is in the process of signing a contract with Iran, and Rumania and West Germany have also declared their readiness to sign a contract with Iran.

Two proposals have also come from two large state companies in Belgium and an Austrian company, and we will accordingly undertake to export water coolers, refrigerators, vegetable oil, textiles, and machine-made carpets, whose export was forbidden. With the plans mentioned, the factories under the Ministry of Industries will be free of unemployment, and we will move in the direction of the aspirations of the ministry which has obtained its own foreign exchange.

Ministry of Industries Foreign Exchange Share

The Deputy Minister of Industries for Economic Affairs discussed the amount of foreign exchange needed as well as the foreign exchange allocated to this ministry. He said: The Ministry of Industries is the second industry in the country in terms of need for foreign exchange. Our foreign exchange need, with 7,000 units under our purview, is 5.6 billion dollars annually, including expansion costs, start-up costs, raw materials, and the costs of units. At the same time, if we want to use a minimum of foreign exchange, in the next five years will need 1.2 billion dollars in foreign exchange annually. For the current year we wrote up eight scenarios ranging from 56 billion dollars to less than one billion in foreign exchange and submitted them to the Foreign Exchange Allocation Committee for selection. Of course we are hoping that for the current year at least one billion dollars in foreign exchange will be allocated to the Ministry of Industries.

To date we have taken only 120 million dollars in credit. The share of foreign exchange for the Ministry of Industries over the past few years has been 2.5 billion dollars in 1364 [21 Mar 1985 – 20 Mar 1986], 2.8 billion dollars in 1363 [21 Mar 1984 – 20 Mar 1985], 3.0 billion dollars in 1362 [21 Mar 1983 – 20 Mar 1984], 3.8 billion dollars in 1361 [21 Mar 1982 – 20 Mar 1983], and 900 million dollars for 1365 [21 Mar 1986 – 20 Mar 1987].

This share has decreased year by year, yet we consume 55 to 60 percent of all the foreign exchange allocated to the Ministry of Industries, the Ministry of Mines and Metals, and the Ministry of Heavy Industries, and 80 percent of the nation's industrial units are under the mantle of the Ministry of Industries.

The Culture of Industrial Exports

He added: In any case, we are trying to make the Ministry of Industries self-sufficient this year. If the culture for industrial exports falls into place we will achieve this goal. Of course this is the first move, because so far the culture of imports has reigned in the country.

With the implementation of industrial exports, I think that this year we will have 150 to 160 million dollars in exports, with about 100 million dollars in raw materials used in their production, and the balance—50 to 60 million dollars—is added value from the producing and exporting units.

The Deputy Minister of Industries for Economic and Commerce concluded by discussing the level of industrial exports. He said: In Khordad of 1365 [22 May – 21 June 1986] we exported 274,000 tons of goods valued at 5 billion rials, while in the same period the previous year we exported 357,000 tons of goods valued at two billion rials, which is about a 23 percent decrease in weight but a 96 percent increase in value.

In the first three months of 1365 [21 March – 21 June 1986] we had 89,000 tons of export goods valued at 13 billion rials, while in the same period the previous year we exported about 97,000 tons of goods valued at seven billion dollars, a seven percent decrease in weight and an 81 percent increase in value for the first three months of 1365 over the same period the previous year.

Concerning the overall distribution of the nation's export goods, we must also say that in the first three months of 1365 two percent of our exports were from the industrial sector, 51 percent were agricultural, 32 percent were carpets and handicrafts, and other goods were 15 percent.

The figures for the same period the previous year were 13 percent industrial, 52 percent agricultural, 20 percent carpets and handicrafts, and 14.5 percent for other goods.

We thus see that there has been a great decrease in industrial exports for the first three months of the current year.

The implementation of new policies and plans can help us increase the nation's industrial exports, and the ministry is striving to meet this objective.

9310

CSO: 4640/484

9 October 1986

IRAN

OFFICIAL ADDRESSES WAYS OF CURTAILING UNEMPLOYMENT

Tehran KEYHAN in Persian 5 Aug 86 p 2

[Text] Political Service--Engineer Siavash Sami'i, deputy minister of planning and programming of the Ministry of Labor and Social Affairs, this morning on the second day of the seminar of the executive and staff directors and other officials of the labor and social affairs departments throughout the country criticized the unhealthy economic structure of the country.

He said that in the industrial sector instead of putting our natural resources at the service of infrastructural investments, they are mostly used for the production of consumer goods and non-essential items. This kind of production creates an unhealthy economic structure. For instance, in India one out of 1000 families owns a private car, whereas in Iran one in every fifty families owns a private automobile. If we divide this ratio between our rural and urban population we can see out of every 1000 urban families about 300 to 400 families own private cars--while we know that from the viewpoint of heavy industries, or airplane manufacturing industries and similar other fields, India has become quite developed.

Engineer Sami'i went on to say: Developed countries are trying to reduce the consumption of their fuel. For example, Italy which has giant auto-manufacturing industries makes small and very fuel efficient cars while in Iran we build or assemble Buicks and Chevrolets. Only Peykan automobiles which are produced in Iran are somewhat fuel efficient.

He further added: Annually we produce thousands of drill systems and industrial machinery in Iran while for each thousand we produce between 70,000 to 100,000 of motor vehicles. Most of our rural areas lack electric power and according to the relevant calculations in this regard we can in one year electrify all such rural areas with small electric generators by using the amount of foreign exchange which is used for the production of Peykan automobiles alone. This kind of unhealthy economic structure is a result of the former regime's consumption policies which have directed our country to this unfavorable situation.

He also said: We are quite deficient in skilled and semi-skilled man power. If part of our motor vehicle manufacturing industry is going to face a slump or decrease in production, there is no reason why their man power should remain unused as well. We can use the skilled man power of this industry in other production sectors. In the long run it is not advantageous for the country to retire any pay compensations for the services of these individuals even though

their retirement is voluntary. We ought to preserve such human capital and not consider idling the man power as a result of the shutdown of a section of our industry. He went on to add that with regard to the new economic conditions, the economic council has assigned two specific responsibilities to the Ministry of Labor: First, proposing suitable methods in order to use the various possibilities and establishments throughout the country and relocating the labor force to maintain a steady level of employment.

Second, making appropriate policies and presenting proper supportive plans to sustain and support the man power and those workers who could possibly lose their jobs.

As regards the tax system of the country, the deputy minister of labor in another part of his speech stated that our tax system and its relevant laws have to undergo a kind of transformation whereby through collection of tax and revenue from high-income strata we could meet the domestic rial needs instead of converting our oil revenue and its resultant foreign exchange into rials.

Furthermore he said: It has been proposed to extend loans without interest to the government and private plants in order to sustain the employment of their work force. Similarly, it has been suggested to reduce the retirement age of the workers to make it possible for those with long years of service who are in the higher age bracket to retire. If necessary this plan will be presented to the Majlis, otherwise it will be considered for discussion by the cabinet.

He added that in order to meet the needs of our labor force a plan is underway to designate a portion of the Syrian dues for that specific purpose and likewise it has been proposed to prepare a plan for determining and/or stabilizing the rental or lease price similar to other prices so as to be able to control and hold down the ever-increasing rent prices.

12719

GSO: 4640/463

IRAN

LABOR MINISTRY ANNOUNCES RETIREMENT PLAN FOR WORKERS

Tehran KEYHAN in Persian 5 Aug 86 p 2

[Text] KEYHAN Political Service--The individuals covered by the Labor Law through the implementation of a supportive plan proposed by the Ministry of Labor to the government will become eligible for retirement at the age of 55 with the approval of their supervisors if for a period of 25 years they have paid their life insurance premiums.

Engineer Sami'i, deputy minister of planning and programming of the Ministry of Labor in an interview with our special correspondent while making the above statement this morning also said: According to the single article of this plan which has been prepared to protect the aged or older workers, the amount of retirement pension of this group of workers will be calculated on the basis of the years in which they have paid the insurance premiums and in conformity with Article 77 of the Social Security Law.

He further added: The time period for the execution of this proposal--if it is approved--will be two years from the date of its announcement. According to this plan, the abovementioned insured individuals ought to turn in their request for retirement to the Social Security Organization so that after proper study and confirmation by the committee composed of the representatives of the Ministry of Labor, the relevant executive office and the Social Security Organization their retirement status could be determined and according to the regulations their retirement pension could be decided subsequently.

Engineer Sami'i went on to add: A maximum of five years will be added to the total number of years for which insurance premiums have been paid by the workers and to this end the supervisors are obligated to deduct their share of premiums for the years thus added, based on the latest amount of the wages of the eligible insured individuals and pay the same to the Social Security Organization.

He also said: The minimum age for women, subject of this law, will be 50 years. Our correspondent asked: What is your plan for unemployment insurance? To which the deputy minister of planning and programming of the Ministry of Labor said: With a slight increase in the share of worker and supervisor premiums, the unemployment insurance plan for the protection of those workers who will recently, under new circumstances, have to undergo a possible employment change, will be put into effect.

Further, he was asked: Under present conditions what decisions have been made to protect the purchasing power of the workers? In answer he said: The plot of the world arrogance in the area of oil price reduction has caused a similar decrease in the foreign exchange income of the country. Moreover, the need and dependency of the production and industrial plants on raw materials, spare parts and other import machinery have on the level of factories necessitated the thrift policy so as to combat the existing situation. For instance, part of the thrift policy would possibly involve the elimination of some benefits and bonuses which will naturally ensue a reduction in the purchasing power of the workers. On the other hand, with due consideration to the studies done by the Statistics Center of Iran, the median food expenses of an urban family in 1363 [21 March 1984 - 20 March 1985] in comparison to 1362 [21 March 1983 - 20 March 1984] have increased by 10.1 percent. Of which meat has had the highest share and thereafter fruits, vegetables and cereals follow suit [a total of 68 percent for cost of foodstuffs]. The annual median for non-food items for an urban family in 1363 in comparison to 1362 has been about 12.3 percent. Housing costs, with 46.1 percent of the total of non-food items, have had the highest share of non-food expenditures and in comparison to 1362 it has had a growth rate of 15.6 percent. Clothing, shoes, other goods, miscellaneous services, home appliances, health and treatment costs have all followed suit [a total of 77 percent for non-food items].

He went on to add: With due consideration to a decrease of income for many workers' families on the one hand, any an increase in the price of essential goods and other merchandise on the other it is necessary to make some proper decisions to protect this strata. Among the protection plan for this strata would include certain measures which will protect the purchasing power of these people. To this end, the following proposals are made accordingly:

- 1- To expand the workers consumer cooperatives and thus provide proper protection for workers. With due consideration to the total membership of each cooperative, provide sufficient and a suitable share of essential and necessary items [food-stuffs and non-food items] with a stable government price for each item.
- 2- In the area of housing rent, the Ministry of Housing and Urban Development should determine a moderate and stable rate according to the type of rental properties and obligate the owners of such properties to observe those decisions while renting or leasing properties to the workers.
- 3- With regard to the expansion of health and treatment services for the workers, the Ministry of Health and the Social Security Organization while expanding their services must also make necessary arrangements to bring down the health and treatment cost accordingly.

12719

CSO: 4640/463

IRAN

DATE OF DISPATCH OF DRAFTEES BORN BETWEEN 1959-1967 ANNOUNCED

Tehran JOMHURI-YE ESLAMI in Persian 6 Aug 86 p 6

[Text] All eligible secondary school graduates born between 1338 [21 March 1959 - 20 March 1960] and 1345 [21 March 1966 - 20 March 1967], all graduates of the previous years and the eligible secondary school volunteers born in 1346 [21 March 1967 - 20 March 1968], also the regular eligible draftees who did not finish their secondary school and who were born between 1338 and 1345 and all the draft dodgers throughout the country born in 1346 and all other eligible persons who were born in 1346 in 18 various cities and regions of the country will be dispatched to military service from 9 August until 13 August of the current year.

The Public Relations Office of the Islamic Republic Gendarmerie also announced: All the aforementioned draftees and those individuals born in 1346 in one of the districts of Esfahan, Hoseynabad, Shahr Kord, Daran, Tafresh, Aligudarz, Pavah, Nowsud, Shahrud, Eslamabad, Siah-cheshmeh, Mianeh, Shahreza [Qomsheh], Javanrud, Naftshahr, Gilangharb, Lashgargah and Maku must on the above-stated dates present themselves to the relevant enlisting departments or garrisons and similarly those draftees who were born in Tehran should present themselves to one of the designated centers for dispatch to military service. All eligible high school graduates who have already received their dispatch notice from one of the three designated centers in Tehran must apply to the Vali-ye Asr Garrison on August 9.

All the regular draftees who have received dispatch notices from Tehran's first district draft center should apply on August 10, 1986 to 22nd Bahman Gendarmerie Garrison located above Vanak circle.

All the regular draftees who have received dispatch notices from Tehran's second district draft center must apply on August 11, 1986 to the Martyrs' Garrison located on Movlavi Avenue.

All the regular draftees who have received dispatch notices from Tehran's third district draft center should apply on August 12, 1986 to the Vali-ye Asr Garrison located at Sepah Square.

It should be noted that if all the individuals who were due to be dispatched to military service in August of the current year or before that date do not present themselves for military service in the current month and do so in later months in person, they will have to serve three extra months and in case they are arrested for evading service they have to serve six extra months accordingly.

IRAN

SEVERAL URANIUM MINES DISCOVERED IN SISTAN, BALUCHESTAN

Tehran JOMHURI-YE ESLAMI in Persian 2 Aug 86

[Text] According to a report by the experts of the Atomic Energy Organization and the Petroleum Company there are uranium and gas mines in the vast province of Sistan va Baluchestan and it is hoped that through proper efforts by the aforementioned organization necessary exploration and exploitation will get underway consequently.

According to IRNA, the above stated discovery was announced by the deputy development director of the governor's office of Sistan va Baluchestan at the end of a two-day seminar pertaining to the geology and mines survey of the said province in Zahedan. He also added: Until now the extent of reserves and purity of the minerals of the mines have not been determined, however fortunately in the course of this seminar the pertinent organizations were instructed to expedite their investigations concerning the exploration and exploitation of the gas and uranium mines.

He went on to say: The mines which have been duly evaluated and their reserve potential been determined are now ready for exploitation as a result of the efforts and endeavors of the relevant organizations, particularly the General Office of Mines of the province. These mines include: Clay, marl, ashlar, limestone and gypsum which in addition to domestic use are also good export items. The interested organizations, and other private organs can apply to this general office to obtain proper permit for exploitation of the aforesaid minerals.

The deputy director of development of the governor's office of Sistan va Baluchestan further stated: In the seminar, as regards the exploitation of magnesite mines it was determined to wait for the report of the geological organization regarding the extent of reserves of the said mineral and thereafter start operation by constructing a calcination plant in the vicinity.

He went on to point out the availability of good and sufficient non-metallic mines which have been based on proper studies and surveys of which nine mines have become operational and stated that with regard to the mining industry it was proposed that the Ministry of Industries should on a state basis restrict all the principal agreements for stone-cutting [quarrying] to the province of Sistan va Baluchestan and similarly it should extend special priorities for encouraging and motivating the applicants of quarrying plants.

As regards the exploration of the mines by the Foundation of the Oppressed, the deputy director of development of the governor's office of Sistan va Baluchestan said: During the seminar it was decided that through the relevant ministries to issue principal agreements for establishing production units for lime production with 100-, 200- and 300-ton annual capacity of both hydrated [slaked] and quick-lime; likewise, to issue principal agreements for brick production units with an annual capacity of 60 million pieces of brick and 15 million pieces of hollow brick and facing stone. In a like fashion, every effort should be made to also export such items after domestic needs are met.

He further said that in the seminar it was proposed that with due consideration to the capital investment sector based on the situation of the province in question certain exceptions should be made by the Ministry of Mines and Metals for the applicants of production units as discussed above.

The deputy director of development of the governor's office of Sistan va Baluchestan added that it was determined during the seminar that the State General Mining Company which has not been active in this province until now to participate in the exploitation and operation of the mines of this province as well. Furthermore, it was decided to issue principal agreements for the sale and distribution of powdered stone and aggregates and export the same after domestic needs are met.

In conclusion, he said: At this seminar it was proposed that such investment sectors as the Foundation for the Oppressed, banks, the Social Security Organization, etc. should be encouraged to invest in the prefabricated concrete unit plants which are being conducted by the Ministry of Industries. Likewise, it was determined to put the necessary credit from the allocations of subjoinder 14 at the disposal of the General Department of Mines for two specific plans so that it could start its work in the current year.

12719

CSO: 4640/476

IRAN

DISCUSSION ON COMPLETION OF PETROCHEMICAL COMPLEX DETAILED

Tehran KEYHAN in Persian 13 Aug 86 p 18

[Text] Economic Service—Yesterday morning Engineer Taheri, Deputy Minister of Petroleum for Petrochemical Affairs, gave a press conference in which he discussed long-term and short-term petrochemical plans and talks with the Japanese delegation participating with Iran in the Bandar Imam Khomeyni Petrochemical Project.

KEYHAN's economic correspondent reports that Engineer Taheri began by discussing oil and the importance of the petrochemical industry in the world. He said: Around seven million petrochemical products have been recorded to date, and an average of 400,000 new ones have been discovered and recorded each year.

He added: One of the disasters brought by 70 years of oil in Iran has been the easy foreign exchange it provides. We have sold oil and used the foreign exchange from it to buy petrochemical products from abroad.

Since the revolution, in view of our foreign exchange difficulties, we have spent more than a billion dollars every year to buy petrochemical products. If we had allocated at least half of this amount to the expansion of petrochemical industries, and if we had implemented programs for expanding this industry in a timely manner, perhaps now in this oil crisis which has emerged we would have factories to convert petroleum products to petrochemical products.

The acting director of the Petrochemical company discussed the countries which do not have oil and the foreign exchange from it, and which have been able to take positive steps in this area. He said:

Pakistan and Turkey are in such a position. They buy petroleum products (natural gas, crude oil) from producers, and, using the technology created in their country, they convert them to petrochemical products. While being self-sufficient in the petrochemical industry, they export much of the spectrum of products from this industry to other countries. Perhaps one of the reasons for the delay in our petrochemical industry is that it was one of the high-flying projects of the regime of the idolaters, which began the Iran-Japan project. In a political-economic storm that followed the revolution this project, which for 15 years everyone has been hoping would grow so that Iran could produce some petrochemical products, has unfortunately not been completed.

There are now two problems with the Iran-Japan project. One is the partnership, the other is the war.

In this project, much greater losses have been incurred due to the irresponsible dealings of the Japanese partner than have been caused by the war.

In another portion of his talk, Engineer Taheri discussed the plans for the petrochemical industry since the Islamic revolution. He said: In view of the existing oil products, there was a need for extensive planning to produce petrochemical products. We therefore studied concessions, imported products, and amounts paid. We were able to divide our dependent industries into 50 groups, and then we assigned priorities to them based on their position in the hierarchy of the production of petrochemical products. Then the tasks to be implemented were divided into short-term, mid-term, and long-term plans. Part of the Iran-Japan project was assigned to the short-term group, and its completion to another project. It has been removed from its status as a principal project. Thus, with the creation of the Arak project, which is considered one of the revolution's important projects, to which considerable foreign exchange has been allocated, as well as the Almatik project of Esfahan, we can say that within the country (in Esfahan and Arak) two major projects have almost been completed. Three new projects will also be started in Shiraz. It reality it may be claimed that we now have seven petrochemical projects in various stages of engineering and implementation.

According to Engineer Taheri, one of the important issues in the petrochemical industry is the fact that these products create employment. For example, 3,000 people will be employed in the Arak petrochemical project, and 20 to 50 times that number of employment opportunities will be in affiliated industries.

He said that another of the investment characteristics in this industry is the export of its products. He said: If investments are made and the needed projects are created, in addition to the prevention of the loss of foreign exchange, it will create employment in the long run and it will create good exports for use in the event of oil crises.

In conclusion Engineer Taheri discussed the results of the talks with the Japanese delegation concerning the Imam Khomeini petrochemical complex. He said: The Japanese partner has used the war as a pretext because of the protracted length of this project, the lack of the anticipated foreign markets, the entry of neighbor countries into the production of petrochemical projects, and their saturation of the markets. It also cites Iran's failure to grant loans, even though the Iran Petrochemical Company has completed projects in wartime without Japanese participation.

He added: The Japanese partner wanted to make an enormous profit in this area, but because of the saturation of foreign markets it refused to cooperate on various pretexts and approached the matter extremely irresponsibly.

Concerning the loans that were not granted, it must be said that three types of loans were taken for this project. For one type of loan Iran was in direct contract with Japan, another involved joint borrowing by Iran and Japan from a European country in the contract, and the third type was to be paid by the Japanese partner itself through Japanese banks.

He continued: The Japanese partner did not spend the jointly-obtained loan from the European banks. At this point the Islamic republic, while spending its loan money, also made the payments for the Japanese partner's loan, and since the Japanese partner became adamant about not participating and refused to spend the loans given to Iran, the Islamic Republic of Iran considers it its clear right not to pay its loans to the Japanese partner. In any case we do not think that the war is the primary issue in the Iran-Japan project. We think it is hostage-taking on the part of the Japanese partner, which wants to take all of its investment from us and turn the project over

to us. We maintain that this project was primarily for export, and now that the world market motivation has disappeared, they have withdrawn and want to leave Iran with a heavy investment.

We will complete this project when our Japanese partner assumes 50 percent of the burden and keeps its previous commitments, or else rationally negotiates the project as one limited to national self-sufficiency and completes it for Iran at a reasonable price.

On the occasion of 21 Mordad [12 August], the anniversary of the expulsion of foreign experts from the oil and petrochemical industry, the petrochemical industries self-sufficiency exhibit at this organization has been installed. All interested persons and specialists may visit this exhibit and take part in the manufacture of parts for Iran Petrochemical.

9310

CSO: 4640/484

IRAN

INSULIN PRODUCTION REPORTEDLY MEETS 15 PERCENT OF NEEDS

Tehran JOMHURI-YE ESLAMI in Persian 4 Aug 86 p 4

[Text] The Pars Syringe Plant of Fars [Province] with an annual production of 30 million insulin syringes meets about 15 percent of the needs of the country.

In a conversation with the correspondent of JOMHURI-YE ESLAMI, the executive director of the said plant while making the above statement also said that this plant is the first unit of its kind for producing insulin syringes in the country. At present, with a total of 72 employees and domestic specialists who work in two shifts, the said plant produces 105,000 syringes in a day of which one-half of the production capacity belongs to the manufacture of insulin syringes.

As regards the quality of the production of the above-stated plant, he said: This plant produces syringes of two, five and ten cc [cubic centimeters] of insulin according to present international standards and by sending some samples of its products to foreign countries it is trying to find a market and export part of its products after the approval of the responsible officials.

With regard to the construction of this plant, the executive director of Pars Syringe Plant of Fars said that the construction of this plant was started in 1361 [21 March 1982 - 20 March 1983] and it became ready for operation in the month of June of the current year. Furthermore, he said that this plant occupies an area of 4,000 square meters of land of which 2,200 square meters are covered by buildings for administration and production units.

He also added: The cost of construction of this plant was 520 million rials of which 70 percent was provided by the shareholders and the remainder was secured through long-term loans, within the framework of Islamic contracts by the Bank of Fars Province.

He said: About 95 percent of the raw materials needed by the Pars Syringe Plant such as polyethylene, polypropylene, thin foils and packing or wrapping paper are imported and the products of the plant are distributed by Ferdows Distribution Company, an affiliate of the National Industries Organization, throughout cities of Shiraz, Yazd and Esfahan.

In conclusion, the executive director of Pars Syringe Plant while pointing to the needs of the health and treatment sector for the products of this plant expressed his hope that through the provision of foreign exchange and further expansion of this plant within the next two years the production capacity of this unit will increase to 60 million syringes a year.

12719

CSO: 4640/474

IRAN

ARTIFICIAL LIMBS MADE IN WEST AZERBAIJAN FOR INVALIDS

Tehran KEYHAN in Persian 12 Aug 86 p 3

[Text] Urumiyeh--KEYHAN correspondent: The first plant for manufacturing artificial arms and legs for invalids became operational in West Azerbaijan. With the installation of this plant the total number of such facilities throughout the country reaches six. Dr Yarigar Ravesh, head of the Rehabilitation Organization who was in West Azerbaijan at a press conference while making the above statement also said: With the installation and operation of this plant in West Azerbaijan Province many difficulties of the invalids will be resolved and more importantly the existence of physiotherapy division in conjunction with this plant will be of great assistance to the war invalids.

With regard to the results of his visits to the various rehabilitation centers of West Azerbaijan, he said: During this trip the rehabilitation centers and other relevant units of the said organization were visited and in comparison to the period before the revolution the pertinent activities of these units have been very satisfactory.

The head of the State Rehabilitation Organization while stating that many of the disorders, local paralyses, physical deformities and mental illnesses and other social problems are the result of a lack of proper hygiene, malnutrition and a lack of growth of agriculture, said: In West Azerbaijan Province the growth of agriculture, economy and hygiene has been very good and this fact helps prevent many other resultant physical deformities or mental disorders.

He went on to note a visit with the Friday imam and governor general of West Azerbaijan and said: During my trip to West Azerbaijan Province at a meeting with the Friday imam of Urumiyeh and the governor general of West Azerbaijan, the issues and difficulties of the Rehabilitation Organization were investigated and it was determined that the Friday imam during his prayer speech should touch upon some social issues and by enhancing the general level of education of the society provide a forum for preventing the recurrence of some disorders. Likewise, the governor general of West Azerbaijan pledged his assistance and cooperation with the Rehabilitation Organization which in the long run would be beneficial to all those families who have lost their bread-winners, the invalids and physically and mentally handicapped individuals.

As regards rounding up of the beggars and removing the filthy face of mendicity from the cities he said: The State Rehabilitation Organization with the cooperation of the governor's office, the imam's Relief Committee, the Labor and Social

Affairs Department and the Tehran's Police Department has so far put into effect the first phase of rounding up of the beggars throughout the city of Tehran. As a result, until now 4,500 beggars have been arrested throughout Tehran and after proper investigations it has been determined that 80 percent of such individuals are quite well-off and resort to this filthy profession only to abuse people's sympathy and make more money!

He further added: Other phases of this plan in Tehran and other cities will be put into effect and it is hoped that with the help of the general public in this matter and by resisting the temptation to give money to these beggars, the people will assist this organization.

With regard to the role of the Rehabilitation Organization in fighting the addiction issue and helping the addicts, head of the State Rehabilitation Organization stated: The role of the Rehabilitation Organization also involves the issue of addiction and rehabilitation of the addicts as well. There are 21 rehabilitation centers throughout the country and on average they help 4,500 individuals every month.

As regards the issue that during the last three years more than 45,000 addicts have received proper treatment, head of State Rehabilitation Organization announced: As a result of the rehabilitation processes of all the relevant centers which involve no use of medicine, many addicts have been rehabilitated and since no narcotics are being used by such individuals millions of dollars of foreign exchange have been saved accordingly.

In the rehabilitation centers of which the largest one is located at Shurabad in Tehran, a total of 1,500 persons receive treatment every day where a series of vocational programs are being utilized and also in some cases the experiences of some of the addicts are put to use.

In conclusion, Dr Yarigar Ravesh while pointing to the available team of specialists and psychologists in the Rehabilitation Organization stated: The above-stated specialists are ready to investigate the family problems and in case in a family there is a mentally or physically disabled individual who needs help, thereby they will provide the necessary assistance and information for the family of such individuals in dealing with the problems and helping the invalids in their treatment at home. In case it is not possible for a family to take care of their disabled or handicapped members, arrangements can be made to keep these individuals at the various centers for rehabilitation.

12719

CSO: 4640/474

IRAN

CYST-SCANNING DEVICE BECOMES OPERATIONAL IN ESFAHAN

Tehran KEYHAN in Persian 12 Aug 86 p 3

[Text] Esfahan--KEYHAN correspondent: For the first time after the victory of the Islamic revolution a cyst/tumor scanning device was put into operation through the efforts of specialists from the Iranian Medical and Radiological Equipment Company--an affiliate of the Foundation for the Oppressed--in Esfahan and it has developed its first laser pictures.

While making the above statement, the executive director of the Iranian Medical and Radiological Equipment Company also stated: The cyst-scanning device is able to detect tentorium cysts and those of other organs to a six-tenth of a millimeter sensitivity.

He also added: This device is also able to detect other unclear or obscure cysts which cannot be detected by other medical equipment--which makes this device unparalleled with any such medical devices. After the victory of the Islamic revolution and particularly after the advent of the imposed war there has been many hands at work to prevent its operation, however with persistent efforts we have fortunately been successful in making the device which is initially American and is a GE product with sophisticated components operational within one and a half months and put it at the service of the people and the wounded of the war.

With regard to the cause of long delay for making this device operational he said: Unfortunately, for political reasons and merely because of the self-interest of a particular group all these years through some vague excuse of these people we have been unable to put the device in operation; however, after a change in management we became aware of the issues and after substantiation of the potential of this device we will pursue the matter in judicial courts and hope to bring to justice those devious individuals who caused such a traitorous delay at a time when our heroic Islamic combatants most sincerely take part in the battles.

As regards the work underway by the said company he said: Fortunately, through incessant efforts of this center's specialists toward achieving self-sufficiency and manufacturing medical parts and equipment, most recently the manufacture of autoclaves and other medical instruments such as Sonny kits and Anna-Kibators have begun in this company. He went on to add that we have to give the good news to our dear countrymen that with the start of operation of this unit in Esfahan which is the second such system throughout the country there will be

no need for the people to travel to Tehran and all converge on Shafa-Yahya'ian Center--part of the relevant work can be carried out in Esfahan.

Furthermore, God willing, a third unit will be put in operation in Shiraz in the near future and thus all the people from other provinces can use the facilities in one of the three centers: Tehran, Esfahan or Shiraz to resolve their medical problems.

Regarding the price of this equipment on the world market, he said: This device, at present costs about 50 million tomans. In conclusion, he expressed his appreciation and thanked the commercial section of the Foundation for the Oppressed for its consistent efforts and operation of this device.

12719

CSO: 4640/474

IRAN

BRIEFS

MILITARY TRAINING FOR WOMEN--The Guards Corps of the first district of Sarallah in a telephone conversation with our correspondent announced that following the order of the imam of the nation regarding military training for all strata including the Mobilization Sisters and the Guards Corps Sisters, Maqdad Base has begun a one week boarding camp in order to provide practical and theoretical training for our sisters. So far three such training courses have been completed. [Text] [Tehran JOMHURI-YE ESLAMI in Persian 29 Jul 86 p 2] 12719

CSO: 4640/476

SRI LANKA

'DEVOLUTION OF POWER,' 'ETHNIC CRISIS' DISCUSSED

Colombo THE ISLAND in English 7 Sep 86 p 11

[Article by Professor Shelton Kodikara]

[Text]

Against an escalating backdrop of physical violence and terror, destruction of property, uprooting of persons from their lands and homes, and the terrible saga of repression, revenge and retaliation there has been in this country and in India, too, a continual quest for a negotiated political solution of the ethnic crisis in Sri Lanka. Programmes there have been plenty of, as is widely known. The events of the latter days of July 1983 deserve to be called by that epithet. So do the Anuradhapura killings of 1985. But was July 1983 the harbinger of the politics of terror? The Durayappa assassination goes back to 1975. And the adopting of the Vaddukoddai Resolution, and the formation of the Tamil United Liberation Front (TULF) in 1976 were in themselves a call to direct action to attain the objective of the separate (Eelam) state.

The governmental response to the crisis posed by these events has varied, and is varying. We have seen

the concept of the district Council, an emaciated version of which still exists. We have seen the concept of the district plus provincial councils discussed and abandoned. And we now have the concept of the provincial council. The draft proposals outlined for the devolution of power to provincial councils, embodied in the President's speech to the Political Parties conference of 25th June 1986 appeared, **in principle**, to be a fair compromise between the positions 'district councils and no more' and 'Eelam and no less' which had constituted an obstacle to a negotiated political solution of the crisis. For within the framework of a unitary state, provincial autonomy is assuredly a further step in the decentralisation and democratisation of political power, a process which had begun in the early seventies with the decentralisation of the budget, and which was extended, though half-heartedly, with the establishment of district councils in 1982. In principle, devolution of power, ensuring as it

does greater participation of the people in the processes of government, cannot be objected to except by the most diehard votaries of centralised power, and we have no reason to believe that such a species exists in Sri Lanka. And yet, there is some uncertainty in many quarters whether the present proposals can be a viable solution of the crisis. In the first place, the proposals would appear to be still under discussion, with the Government and the TULF as the chief negotiators, with the government of India remaining in the background as honest broker.

No doubt the outcome of the negotiations will be made public at some time, and at that time no doubt an all-party consensus will be sought for the negotiated settlement, or what approximates to it and the sanction of the militant leadership will also no doubt be sought to give legitimacy to the solution. But will this not be too late in the day to seek an all-round consensus?

Already there are indications that not all the party political alternatives to a possible negotiated solution have been aired and discussed **intra-state** in Sri Lanka. The militant leaders themselves, though not averse to talking direct with the Sri Lanka government, have dissociated themselves with the recent talks between the Government and the TULF.

The leader of the most important of the militant groups, Prabhakaran of the Liberation Tigers of Tamil Eelam (LTTE) has gone on record as saying (**The Island**, 31 August 1986) that although the LTTE did not object to the TULF negotiations, and would not put a spoke in the present peace talks, the demand for Eelam would not be given up because no reasonable alternative had yet appeared. And in Madras, the Union Minister of State for personnel, P. Chidambaram, could see no 'immediate solution' emerging on the ethnic issue in Sri Lanka.

According to Chidambaram (**Indian Express**, 30 August 1986): "The TULF team will bring some details with it; there may be gaps in them and further explanation would have to come. It is a longdrawn-out process." Appealing to the militants to exercise restraint 'in their ground strategies as well as statements', the Minister added that all will be consulted at a point anywhere near an accord, and that there would have to be many more rounds of talks among the parties involved" (referring to

the TULF and the militants) before a final draft appeared. The next stage in the discussions is expected to be in New Delhi in late September between the Sri Lanka Government and the Tamil groups.

What has not happened so far in the negotiating process is the elucidation, indeed even the eliciting, of non-Tamil opinion on the current state of the Government's proposals, principally the lack of rapport, one might say the basic disagreement between the Government and the leading Opposition party, the SLFP, on this matter. To say that the SLFP is playing the game of party politics so familiar to students of communalism in Sri Lanka, or to say that the SLFP opted out of the political Parties conference of July-August (1986), and even from the All-Parties conference of December 1983, is not convincing. To be sure, the Opposition opposes, but it is less constrained than Governments usually are in the art of political compromise, and the Opposition also usually tends to be more percipient of the public mood than Governments usually are, especially those with a long tenure of power. If one were to say that in this instance both Government and Opposition are dealing with the same constituency, the Sinhala people, then obviously there would appear to be divergent interpretations on the impact of the present proposals on the Sinhala people, and on their own reactions to them.

This is not an essay in chauvinism, nor is it contended that the 'Sinhala interest', however it may be defined, needs to be interpreted and defined at every stage of a delicate negotiating process.

But one cannot overlook the fact that disagreements in some areas may be so basic that a political party cannot, in the larger interest as perceived by it, be any part of a negotiating process even when a country is going through a national crisis unprecedented in its recent history. Parties negotiate from certain agreed basic fundamental positions, such as the inviolability of the unitary state, the over-riding necessity to bring about ethnic peace and harmony, or to reduce tensions and normalise relations interstate, and so on. Among the many objections in detail to the present proposals put forward on behalf of the SLFP, (vide Mrs. Bandaranaike's communication to the President published in **The Island**, 16th July 1986, four points appear to this writer to merit careful consideration. These are:

(1) The proposals formulated do not guarantee that even if the proposals are implemented there would be an end to civil disobedience and terrorism at a time when there is a complete breakdown of law and order in the North and East, and when not only is the Government not representative of public opinion but also

when the views of the Tamil population of the country have not been ascertained.

(2) The proposals create a new system of government in the country, establishing a federal structure of government under a constitution meant for a unitary state. A provincial council under the proposed scheme has the same apparatus of government as a state within the Indian Union and provincial councils would appear to have even more powers than states in the Indian union.

(3) The proposals would appear to alienate the legislative power of Parliament inasmuch as a law passed by a provincial council becomes law on certification by the chairman of the council, and no provision for reservation of provincial bills appear to have been made. The proposals also appear to alienate the executive power of the President to provincial governors, chief ministers, etc., and the mode of appointment and the discretionary powers of the provincial governor have not been clearly spelt out. Also there is no clear demarcation of the judicial jurisdiction between the centre and the provinces, e.g., the administration of justice and the constitution of the courts (except the Supreme Court and the High Courts) appear to be devolved to the Pro-

vinces whereas this is a subject where there is concurrent jurisdiction in India.

Also, many provisions in the proposals on law and order and land use and settlement, especially, abound with potential areas of disagreement in implementation, and disputes in these and other areas between the central government and the provinces can escalate into a situation requiring presidential intervention which would not be welcome at the periphery.

(4) The proposals even if implemented as they are, will further exacerbate sectarian group and communal feelings, burden the country with nine virtually independent administrations, and permanently impair democratic life in the country.

Now federalism is not an ugly word in the lexicon of political science. For some states, a federal structure is demanded by the traditions of history, the compulsions of geography and the heterogeneity of the people comprising them. In Sri

Lanka, apart from the fact that there is not, at present, any recognisable demand for a form of federal government, the parliamentary tradition going back to the 19th century militates against federalism. Inasmuch as any negotiated settlement between the Tamil groups and the Sri Lanka government, supported by some, or all, of the

other political parties and groups in the country, will be tantamount to a compact between the Sinhala and Tamil people, such a settlement smacks of federalism. And the crux of the matter will not be whether the centre and the units have independent and coordinate power, or whether the constitution is regarded as supreme, or whether the Supreme Court adjudicates between the centre and the units, all of which are basic features of any federal system, but how the amending procedure will be implemented, if at all. For it is difficult to see how, under the present proposals encapsulated in a unitary state, Parliament can even with a two-thirds majority, amend or alter the compact reached in the settlement without also the consent of the Tamil participants to the compact, or their legates.

To put it another way, the constitutional amending procedure under the new dispensation will have acquired a new dimension. If Parliament by a two-thirds majority enacts a constitutional amendment against the wishes of its Tamil members, or which is opposed by the Tamil unit or units in the proposed system, you revive or renew old ethnic conflicts and rivalries and so are back at square one, or you withdraw the amendment and attune yourself to Parliament's limited sovereignty.

A federal structure gets over this difficulty by requiring that the units participate in the amending process (In-

dia, the United States, e.g.) or by placing the power of amendment in an entirely outside authority (e.g., Canada, where constitutional amendment is vested in the UK Parliament).

It can be argued that it does not really matter whether a constitution is unitary or federal so long as it works effectively. But one must be

clear whether one is dealing with a unitary system or a federal system. You could have a mixture of both, too, if that is the system which is best suited to the needs of the time and the place and the circumstances. The Indian constitution, on which the present devolutionary proposals in Sri Lanka appear to be modelled, nowhere uses the term 'federal', only the term 'Union of States', though it clearly belongs to the typology of federal states with very strong centralising tendencies.

Indeed, the noted authority of federalism, K. C. Wheare, regarded the Indian Constitution as establishing "system of government which is, at most, quasi-federal, almost devolutionary in character, a unitary State with subsidiary federal features rather than a federal State with unitary features". What appears to be at fault with the proposed devolutionary process in Sri Lanka is that it incorporates more of the federal features of the Indian Constitution than of its unitary features.

There are an impressive array of factors which have made the union government in

India very strong. The union list of subjects in schedule VII is quite comprehensive, embracing as it does 96 items, compared to the state list's 66 items, while the union government also has jurisdiction in the concurrent list containing 47 items. Residuary powers rest with the centre. Governors of states are appointed by the President and are answerable to him when they act in their discretion. The President of India can take over the administration of any State in case of the failure of the constitutional machinery in that state. In times of emergency, the control of the union government over the states is total — in fact, during emergencies, the Indian Government becomes a unitary government. While a state of emergency is in operation, Parliament has the

power to make laws for the whole or any part of the territory of India with respect to any matters enumerated in the state list, and even in normal times Parliament can do so if the council of states by a two-thirds majority of persons present and voting declares by resolution that it is expedient in the national interest to do so. (Arts 249 and 250).

Moreover, if any law made by state legislature is repugnant to any provision of law made by Parliament, the latter shall prevail, and the state law, to the extent of repugnancy, is void (art. 254). According to Article 3 of the Indian Constitution, Parliament can by law form a

new state by separation of territory from any state, or by uniting two or more states or parts of states or by uniting any territory to a part of any state. Parliament can increase or diminish the area of any state or alter its boundaries or name. These powers can be exercised even against the wishes of the states concerned. Any by the method of grants in-aid, the union government exercises further powers over states.

Nor have these powers existed merely on paper in India. There have been two proclamations of a state of emergency — during the India-China war of 1962, and the Indo-Pakistani war of 1971. Presidential rule in states have been a common occurrence, new states have been admitted into the Indian Union e.g. Sikkim, Mizoram, and there was a wide-ranging language-based reorganisation of states in 1956.

The Sri Lanka Government's present devolution proposals also combine federal features in a constitution which in form and substance is unitary. But there is no clear definition of the powers of

the central government, no clear line demarcating the distribution of legislative power between the centre and the units, no specific provisions for adjudicating in instances of conflicts of jurisdiction, and a doubt exists as to whether the devolution of power will not really be tantamount to an abdication of power.

Besides, the devolution package may not be workable, because there is no consensus about the unit of devolution itself, not only as between Sinhalese and Tamils, but even among the Sinhalese themselves. A way out of the current impasse might be to make the units of devolution larger by reducing the units from nine to say, five. You will then have regional councils instead of provincial councils. The present Tamil demand for a linguistic unit can then be accommodated in a new Northern and Eastern region, with Ampara joined to a new Southern and Eastern region; in addition, there can be an enlarged central region combining the present central and Uva provinces, parts of Sabaragamuwa, a new Western region combining

the present Western province with parts of the North-Western Province, and also an enlarged North-Central region including the North-Central province with parts of the North-Western province.

This would be a more viable structure and much less financially burdensome than the one presently proposed. But it is all-important to take a second look at constitutional amending procedures. A compact remains a compact by whatever frame it is called, and any change in its terms surely needs the consent of all the parties to the compact.

Above all, it is necessary that India should underwrite any accord that is reached. Since laying down of arms by militant groups must be an integral part of any negotiated political settlement of the ethnic crisis, India becomes involved in the implementation of any settlement so long as it affords sanctuary to Tamil militant cadres on its soil. Thus, in the final phase of the peace process in Sri Lanka, as in its earlier phases, India's cooperation and goodwill becomes part and parcel of any working peace system in Sri Lanka.

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